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The year in brief

- Net sales amounted to SEK 9,094 million (8,858), an increase of 2.7 per cent.
- Operating profit amounted to SEK 490 million (494), which includes nonrecurring expenses of SEK 33 million.
- Profit before tax (EBT) amounted to SEK 355 million (355).
- Adjusted EBT amounted to SEK 388 million (355) and adjusted EBT margin was 4.3 per cent (4.0).
- Profit after tax amounted to SEK 278 million (518).
- Earnings per share amounted to SEK 3.15 (5.86).
- Proposed dividend of SEK 3.35 (3.10).

KEY RATIOS

SEK million	2017/2018	2016/2017
Net sales	9,094	8,858
Operating profit (EBIT)	490	494
Profit before tax (EBT)	355	355
Profit for the year	278	518
Cash flow for the year	-94	114
Equity/assets ratio, %	18.4	17.9
Shareholders' equity	1,436	1,421
Net debt	3,629	3,753
Net debt/EBITDA, times	3.1	3.2
Average number of employees	11,047	12,495

388

SEK MILLION ADJUSTED EBT

Significant events

STRONG RESULT

Following a strong finish to the 2017/2018 fiscal year, we can state that, excluding nonrecurring expenses of SEK 33 million, Nobina delivered its best ever result, with continued growth in margin before tax.

MORE INCENTIVES

Compensation models where incentives are based on travel and quality continue to increase. Our analysis of passenger flows and our extensive experience of public transport solutions, provide more efficient traffic and increased value for our customers and for society at large.

INCREASE IN ELECTRIC BUS SERVICES

The trend is now rapidly shifting and electric buses are viewed as a natural part of public transport solutions. We have long-standing experience of electric buses and are operating and planning regular services with a total of approximately 90 electric buses in cooperation with clients in Norway and Sweden.

NEW TECHNOLOGY

Public transport is an industry of the future and rapid technological developments are helping to drive this change. During the year, we introduced the Scandinavia's first autonomous buses on public roads and launched new, digital travel apps that facilitate travel.

THIS IS NOBINA

Our transport solutions help to improve mobility in society. Every day, about one million people in the Nordic region travel with us, and it is our role to make the journey a good experience. We offer our passengers service and security at the same time as the journey is efficient and easy. It is through bus travel that we can combine all of the components into a whole.



VISION: EVERYONE WANTS TO TRAVEL WITH US

BUSINESS CONCEPT: SIMPLIFY EVERYDAY TRAVELLING

**STRATEGIC FOCUS AREAS: BUS SOLUTIONS,
CONTRACT MANAGEMENT, RESOURCE EFFICIENCY,
EMPLOYEE DEVELOPMENT**

Nobina's values

Our operations are built on trust and dialogue, 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, sensitivity 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 use management by objectives and systematic follow-up.

WE SAFEGUARD GOOD 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

6,473

SEK MILLION NET SALES

71%

SHARE OF NOBINA'S NET SALES

DENMARK

544

SEK MILLION NET SALES

6%

SHARE OF NOBINA'S NET SALES

NORWAY

1,030

SEK MILLION NET SALES

11%

SHARE OF NOBINA'S NET SALES

FINLAND

1,071

SEK MILLION NET SALES

12%

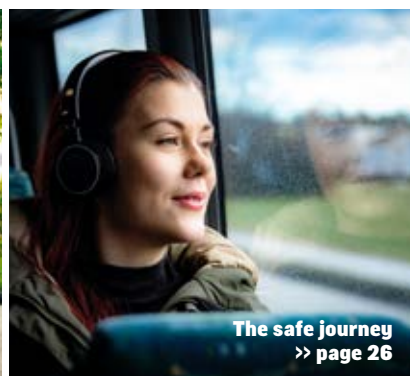
SHARE OF NOBINA'S NET SALES

THE ROUTE TO A MORE SUSTAINABLE AND MOBILE SOCIETY

Nobina works to create smart, convenient, responsible and safe journeys that contribute to both an increase in mobility in society and a better work environment for our drivers. Later in the report, we write more about some of the initiatives we undertook over the past year to achieve this.

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THROUGH BUS
SOLUTIONS, WE HELP
REALISE THE
SUSTAINABLE SOCIETY
OF THE FUTURE.





• • • •

“LINKING OUR PROFITABILITY IN CONTRACTS TO INCREASED TRAVEL PROVIDES CLIENTS WITH A DEVELOPED PUBLIC TRANSPORT SYSTEM AND PASSENGERS RECEIVE A BETTER AND MORE ADAPTED OFFERING.”

STATEMENT FROM THE CEO

THE LEADING BUS COMPANY

Public transport is an industry of the future and bus travel is the means of transport for the future. After about one year as President and CEO of Nobina, I am more convinced than ever about this. Urbanisation, growing environmental awareness and the need for greater mobility are all factors that mean more people can see the value of travelling together, and preferably by bus. As the largest bus company in the Nordic region, it is very exciting to be part of creating the best solutions to meet this trend.

IMPORTANT ANALYSIS

Nobina today is the result of systematic and focused work that began many years ago. Every small part of every process is analysed in detail in order to attain continuous improvements and to create more competitive operations. This focused work has resulted in the company operating about 110 contracts in 32 traffic areas with approximately 3,600 buses in four Nordic countries, and every year we transport some 319 million passengers. And we are expanding and are profitable. In 2017/2018, we increased sales and reported our best result ever.

The contracts are at the core of these operations. These have been secured after tendering processes and traffic contracts are often for a period of five to ten years. Entering into such an agreement without safeguarding the conditions for profitability is, of course, unsustainable in the long term. We continuously develop our analysis to become even better at submitting the right tender, but also to contribute towards the design of the contract documentation. By using the Nobina Analytics tool, we can analyse journey patterns with the aim of better understanding the needs and to use facts and knowledge to increase travel by directing traffic to the routes and the times with the greatest need. Nobina Analytics is an important tool as the number of incentive contracts – where we are paid based on the number of passengers and on customer satisfaction – continues to increase. Linking our profitability in contracts to increased travel provides clients with a developed public transport system and passengers receive a better and more adapted offering. This drives the development of society in a positive direction – more people travel by public transport and leave the car at home.

SWIFT DEVELOPMENT

In addition to more incentive contracts, developments are moving swiftly in other areas. Electric buses have moved from an experimental stage to become an increasingly natural feature of contracts and traffic. Nobina has long-standing experience of driving electric buses and through Nobina Electrical Solutions, we have an offering that moves client focus from technology to the best overall public transport solution. At the same time, developments are moving rapidly and we are well aware that the best

long-term solutions will require new collaborations and partnerships. The environment is the winner when electric buses are operated using green electricity, but a rapid transition to renewable fuels is also taking place for conventional buses. Renewable fuels accounted for as much as 66 per cent of our fuel consumption in 2017/2018. We are also becoming better at energy-efficient driving, where our Green Journey initiative provides a significant contribution to developments. Furthermore, we are now facing the next major development phase for public transport. This encompasses autonomous vehicles and smart services that connect different transport solutions and make travel even more mobile, flexible and personalised.

• • • •

**"WE HAVE SUCCESSFULLY
EMERGED FROM EXTENSIVE
CONTRACT MIGRATIONS AND
FURTHER IMPROVED OUR
OPERATING MARGIN."**

Our autonomous buses in Kista and Copenhagen, together with our travel apps Res i STHLM and Travis, are giving us a first taste of this trend. The ideal situation is naturally that we, as the leading bus company, can be involved and adapt public transport solutions as a city or district evolves. Our involvement in the development of the new Barkarbystaden district near Stockholm is a good example of how we can work with flexible bus solutions. By offering quiet, more environmentally friendly buses of different sizes that can quickly arrive at destinations and supplement the other modes of transport – metro, commuter trains and cycling – we contribute towards a sustainable urban environment.

FOUR FOCUS AREAS

We are primarily focusing on four strategic areas to continue developing Nobina. In Bus solutions, we will develop new business both within and outside of contract operations. This could include, for example, bus-for-rail service solutions where we are advancing our positions through the use of technology innovation and customer offerings where we put passenger needs foremost. We also focus on developing infrastructure solutions, in dialogue with partners, in order to fully uti-

lise the flexibility and potential offered by buses, when compared, for example, with rail solutions such as trams. We are already skilled at Contract Management – all the way from discussing the design of the tender, to securing the right contracts and adapting, running and concluding bus services – though we can always improve. A profitable and stable contract management is also crucial for our continued success. With a strong focus on Resource efficiency, we are laying the foundations of our business operation. Efficient workshops, low damage frequency rates and the optimal use of the bus fleet, together with fuel efficiency and good traffic planning, are important elements if we are to achieve our profitability targets and be competitive. Regardless of initiatives or ambitions, it is our employees that will drive developments. One good example of how we can benefit from the combined expertise is the 72 improvement groups that are developing operations in our various traffic areas, with a clear link to Nobina's objectives. This work makes a difference, such as when it comes to driving profitability in our incentive contracts.

PROFITABLE GROWTH

I can look back on a year where we have successfully emerged from extensive contract migrations and further improved our operating margin. This offers us a good platform for the future. Aside from developing operations within the framework of our strategic focus areas, the same goal as previously still applies: we must step by step enhance the efficiency of our operations and further improve our competitiveness. This is particularly important in the current market situation, with a large number of contracts to be tendered and where we can use solid analysis and the best offering in the market to ensure that both Nobina and public transport in the Nordic region continue to develop in a positive direction. With all the expertise and driving forces present in the organisation, there is good potential to continue to strengthen Nobina's position as the leading bus company in an important industry of the future.

Stockholm, April 2018

Magnus Rosén
President and CEO

NOBINA'S MARKETS

Nobina is the leading bus company in the Nordic region, with a market share of 16 per cent. The company's market presence comprises approximately 110 contracts with clients spread over 32 traffic areas in four countries and a growing contribution from bus solutions for varying passenger needs. The bus fleet consists of about 3,600 buses and every year some 319 million passengers board the buses.

Sales in the Nordic public transport market for buses is estimated at SEK 47 billion. In all of the Nordic markets, an average of half of the cost of regional travel is financed through the budgets of regional public administrations and the remaining share directly from passengers through ticket revenues. Nobina is active in the market for regional traffic throughout the Nordic region. We also offer bus-for-rail service solutions, complete solutions for public transport focusing on bus,

Sweden		Denmark	
MARKET	TOTAL VALUE OF MARKET, SEK	22 BILLION	9 BILLION
	SUMMARY OF 2017/2018	Contract won in Kungsbacka and contracts extended in Gothenburg and Malmö. Collaboration with clients in electric bus initiatives in Malmö and Norrtälje. Commenced project with own autonomous buses on public roads in Stockholm. Several positive outcomes of quality bonus. Swift development of future travel through mobile services and analytical tools.	Favorable underlying efficiency in contracts. Pilot project with autonomous buses in Greater Copenhagen. Contract for 21 buses in Roskilde with the highest environmental standard.
	MARKET CHARACTERISTICS	Regional traffic contracts differ considerably in terms of responsibilities and commercial terms and conditions. Rapid progress towards tender processes that include quality evaluation and contracts with an incentive element.	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. Trend is moving toward contracts based on number of passengers.
NOBINA	MARKET SHARE	27%	5%
	MARKET POSITION	Nobina is Sweden's largest bus company and is represented in some one hundred locations. The largest clients are SL, Västtrafik and Skånetrafiken. We also hold an expanding position in bus-for-rail traffic and are market leaders in express bus services via an extensive route network, airport bus services and business partners.	Challenger position. Nobina currently operates regional traffic in six contracts for two clients in total. Our position is particularly strong in Copenhagen.
	NUMBER OF CONTRACTS/ CONTRACT LENGTH	69 contracts/8.6 years on average.	6 contracts/6.0 years on average.
	MAIN COMPETITORS	Arriva (Ger), Keolis (Fra), Nettbuss (Nor), Transdev (Fra). (In express bus segment: Nettbuss Express and FlixBus).	Arriva (Ger), Keolis (Fra), Tide (Nor), Umove (Den).
	FOCUS ON SUSTAINABILITY	Public transport expansion remains a priority. The development includes a greater focus on renewable fuels, electric power and partnerships to create an infrastructure in expanding cities to contribute to increased mobility. Focus on travel in the future.	Continued investments to expand public transport in Copenhagen and other major cities. Focus on flexible mobility solutions and new technology for combinations of modes of transport and information technology for passengers are high on the agenda. Roskilde has begun an electric power initiative and Copenhagen is to conduct tests of traffic with autonomous vehicles during three years.

interregional express bus services in Sweden where there is free competition as well as special transportation for coach hire, service journeys and dial-a-ride services. The Nordic countries are at different stages in development and Nobina's position differs between the markets. In Sweden, Nobina has the strongest position and is developing many solutions for the public transport of the future. This strong position is now being used when growing in other markets. Synergies and collaboration between countries consist of shared services, the fleet of vehicles and expertise in various specialist fields, with the aim of creating the best possible transport solution for each market.

Society is increasingly interested in investing in public transport, particularly in areas with a high population density,

where well-developed public transport is important for mobility in society. Public transport is also high on the agenda for politicians as it is viewed as an important requirement for building a sustainable society. In the past year, new technology and electrification of the vehicle fleet have become increasingly important driving forces in shaping the public transport of the future.

There is a trend in all countries to include more quality criteria as part of the tendering process, and balanced compensation models where incentives are based on travel and the quality experienced by the customers. This trend is supported by new technology and systems that enable analysis of passenger flows and more effective evaluation and reporting.

Norway

9 BILLION

Two-year test programme initiated with electric articulated buses on behalf of the public transport authority Ruter in Oslo. Positive development for bonuses linked to travel and passenger satisfaction. Signs of improved efficiency in several traffic areas but resource utilisation remains low. Agreement with Troms Fylkestrafikk to only exercise half of the extension option, and the contract will therefore be concluded in July 2019.

Continued positive trend for contracts with balanced terms. Operators in major cities are increasingly compensated for hours, number of kilometres and buses.

7%

Challenger position. Nobina is currently the fifth largest bus company in Norway, with most of its traffic assignments in the Oslo area.

8 contracts/7.7 years on average.

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

A growing number of initiatives in renewable fuels. In Oslo, the Public Transport Authority, Ruter, is working together with the City of Oslo to make public transport more attractive and to reduce climate emissions by 95 per cent by 2030. In Trondheim, initiatives are being conducted using modern bus solutions and electric bus services.

Finland

7 BILLION

Contract for an additional 42 buses in Helsinki with an environmental premium for a transition to biodiesel. High scores in customer satisfaction surveys. Extra traffic operated by Nobina for the City of Helsinki in connection with the extension of the Helsinki metro finished in December 2017.

Contracts are primarily tendered for specific routes rather than for entire traffic areas. Contract terms are relatively unbalanced with the exception of Helsinki, which applies favorable terms with monthly indexing. Incentive contracts exist to a certain extent in the Helsinki region. Binding legislation will mean more contracts are subject to competition via tendering after 2019 and the old concession contracts will eventually be phased out.

20%

Operations are concentrated to the Helsinki region, where Nobina is the largest bus company and thereby also one of the country's largest operators.

25 contracts/6.1 years on average.

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

Investments to increase mobility in the capital region. The new metro was completed at the end of 2017. The availability of bus services and the number of passengers have gradually increased since 2010. New vehicle technology, better fuels and electric power will be utilised to achieve the City of Helsinki's target to reduce hazardous emissions from public transport by 90 per cent by 2025. Green tenders provide extra compensation to operators when they change to renewable fuels.

FORCES DRIVING GROWTH

Nobina's market has favourable, long-term growth conditions. Strong global trends, such as urbanisation, sustainable development and increased mobility, have a clear link to the need for more public transport. New public initiatives are also having a positive impact on public transport, which has been reinforced in recent years as a result of the development of society at a global level. The rapid technology development provides a strong driving force to build a sustainable society based on flexible and more sustainable transportation.

URBANISATION

The strong urbanisation trend is continuing unabated around the world. In Europe, the fastest urbanisation is occurring in the Nordic region, where both large and medium-sized cities are expanding. Growth in cities is often effected through densification, which increases the need for flexible transport and infrastructure solutions. The rapid urbanisation means that demands in the Nordic region on the future public transport system will increase and this will remain a prioritised issue. The need for efficient public transport systems in urban environments will benefit flexible, non-track-based modes of transport, such as buses. Bus travel accounted for more than half of the 1.6 billion public transport journeys undertaken in Sweden in 2017.

SUSTAINABLE DEVELOPMENT

An increasing awareness of the earth's limited resources and about climate change has led to greater environmental commitment in all groups in society. This development is also driven by rising knowledge of the negative health impact of emissions from transportation. This is particularly noticeable in many cities, where the influx of new people and rise in commuting has resulted in a rapid growth in car traffic in recent years. There is therefore a strong driving force for sustainable transport solutions based on renewable fuels. Growing climate awareness contributes in itself to increased interest in vehicle sharing and public transport.

POLITICAL INITIATIVES

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. In this area, investments in public transport may have a rapid effect, encompassing, for example, increased electric bus services and traffic systems using autonomous vehicles. Investments in infrastructure and technical advances also go hand in hand with the establishment of new, ambitious climate targets at both a national level and for individual large cities. Clear goals are in place in all Nordic countries to expand public transport based on renewable energy that meet the demands of inhabitants for greater flexibility and improvements in urban air quality. We can also note that the value placed on environmental and sustainability issues is increasing in the tender process.

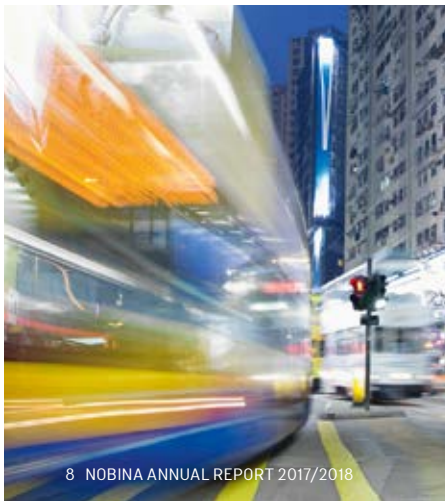
Nobina addresses these needs through ...

... PROFITABLE GROWTH AND BY STRENGTHENING EXPERTISE.

Rapid regional and local development results in changed conditions in the near future. This requires us to increase expertise about public transport systems and information accessibility. This ensures that we can meet changing demands while maintaining profitability.

... FOCUSING ON SOCIETAL BENEFITS.

Through meticulous and long-term efforts to design the contract terms, we can adapt traffic solutions 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 customer dialogue.



MOBILITY

The growing market for public transport is fundamentally a result of a more connected, mobile and fast-moving society. People want to move quickly and conveniently and at the same time have an opportunity to work, perform everyday tasks or be entertained when they are travelling. Opportunities to analyse large quantities of data about the movements of inhabitants in a city leads to the development of optimised transport solutions, where, for example, integrated door-to-door solutions create maximum flexibility and utilisation of public transport's potential and resources. An expanding sharing economy and digital personal travel assistants are further driving developments, and are efficient tools for reducing hazardous emissions and traffic bottlenecks.

Nobina Technology is forming future travel

Nobina Technology is an independent unit within Nobina that carries out experiments, enters into partnerships with experienced professionals and develops new methods to benefit from opportunities for sharing mobility. All of this with the aim of making daily travel easier. One key area is the development of Mobility-as-a-Service (MaaS) – which is a form of subscription via a digital personal travel assistant that makes smart door-to-door solutions available for your own travel. This could include a multitude of different types of transport, such as commuter trains, buses, autonomous vehicles and cycling. All of this is booked at the same time through a simple click in your mobile phone. With the aim of eventually offering access to this "smart mobility", Nobina Technology's current focus is on developing IT platforms, travel apps and the technology and solutions for autonomous buses.

A taste of the future (that is already here)

- Autonomous vehicles have a substantial potential. According to the World Economic Forum, they can contribute towards an optimisation of operations, free-up space in densely populated cities and improve road safety by up to 70 per cent.
- We will all have access to a digital personal travel assistant in the future – a virtual helper to arrive at our destination on time, regardless of means of transport.
- Big Data will change mobility. Business Intelligence, with advanced analyses of traffic flows, bus routes and property development, will influence how we design transport solutions in the smart cities of the future.

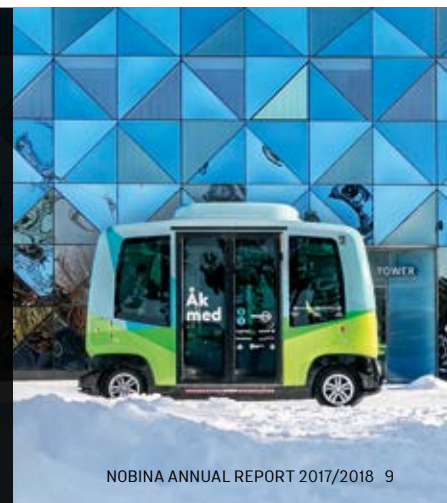


... TAKING RESPONSIBILITY AS MARKET LEADER.

As market leader with business activities in many different geographical areas and with different market conditions, we accumulate knowledge, which can contribute to the development of mobility in society. We understand 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.

... REMAINING AT THE FOREFRONT.

In a forward-looking market, with many wishes and stakeholders, it is important to continuously invest in developing the business. Nobina is a major stakeholder and promotes – within the framework of Nobina Technology – partnerships with both research institutions and clients about public transport solutions for the future, and we continuously test new technologies and solutions and then evaluate and decide on these.



VALUE CREATION

With strong forces driving an expansion of public transport, Nobina is working to create significant values for all stakeholders. This encompasses the efficient management of the contract portfolio, the development of new bus solutions and the optimal use of the company's assets and employee skills.

Our assets

CLIENTS AND PASSENGERS

- About one million passengers every day.
- About 110 contracts with an average contract length of 8.0 years.

EMPLOYEES

- 11,000 employees, of which 89 per cent bus drivers and driver administration, 8 per cent mechanics, 2 per cent company management, sales, marketing, HR and others and 1 per cent traffic planning.
- About 600 employees engaged in improvement groups.

DEVELOPMENT INITIATIVES

- Nobina Technology.
- Well-established concept in the form of the "Green Journey", which helps to reduce emissions.

FLEET AND DEPOTS

- 3,600 buses.
- 52 leased depots (including workshops).

FUEL

- Fuel, of which 66 per cent from renewable sources in 2017/2018.

FINANCIAL RESOURCES

- Total assets of SEK 7,807 million, of which shareholders' equity amounting to SEK 1,436 million and liabilities of SEK 4,349 million.
- Listed on Nasdaq Stockholm Mid Cap since 2015.

Our business model and operations

VISION

Everyone wants to travel with us.

BUSINESS CONCEPT

Simplify everyday travelling.

BUSINESS MODEL

Nobina is the Nordic region's largest public transport company with operations in Sweden, Finland, Denmark and Norway. We have approximately 110 contracts for regional traffic spread over 32 traffic areas. Contracts are primarily awarded following a tender process of public transport services for a Public Transport Authority. We also offer a growing contribution of bus solutions for different passenger needs: bus-for-rail service solutions, complete solutions for public transport focusing on bus and interregional express bus services in Sweden as well as special transportation for coach hire, service journeys and dial-a-ride services.

OPERATIONS

- Every year we ensure that about 319 million passengers on our 3,600 buses arrive at their destinations.
- Our journeys are adapted to local and regional needs based on the contract terms of our client.
- We train our drivers in fuel-efficient driving, which entails a calmer driving style and improved comfort for passengers.
- We pursue active contract management and analyse passenger needs, which leads to continuous refinement of our offering.
- We are continuously improving traffic planning to fulfil passenger needs and to ensure delivery reliability, quality and cost efficiency.
- We develop new bus solutions taking into account passenger needs for increased mobility and the client's need for complete solutions.
- We optimise utilisation of our buses to make the best possible use of our resources.

We offer

11,000
JOBS

319
MILLION BUS JOURNEYS

7,200
TIMES AROUND THE WORLD

OUR TRANSPORT SOLUTIONS help to improve mobility in society. Every day, about one million people in the Nordic region travel with us, and it is our role to make the journey a good experience. We offer our passengers service and security at the same time as the journey is efficient and easy. It is through bus travel that we can combine all of the components into a whole.

Value creation for our stakeholders

CLIENTS AND PASSENGERS

- Revenue¹⁾ SEK 9,158 million.
- Increased share of incentive contracts.
- More traffic adapted for passengers.
- Greater customer satisfaction.

EMPLOYEES

- Salaries and remuneration of employees, including employer's contributions, SEK 4,919 million.
- Good employee motivation.
- 33 hours of training per employee on average.

SOCIETY AND POLITICIANS

- Increased mobility in society.
- Reduced carbon dioxide emissions by 11 per cent.
- Excise duty of SEK 338 million.

SUPPLIERS AND BANKS

- Operating costs of SEK 2,854 million.
- Interest expenses of SEK 824 million.

SHAREHOLDERS

- Dividend SEK 274 million.
- Market capitalisation of SEK 4,877 million.
- Proposed dividend to shareholders of SEK 296 million in 2018.

296
SEK MILLION PROPOSED DIVIDEND

¹⁾ Including other revenue of SEK 64 million.

More information on Generated and distributed value on page 51.


ELECTRIC BUSES BECOME PART OF TRAFFIC SOLUTIONS

Electric buses currently account for less than 1 per cent of the bus market in the Nordic region – but growth is gaining impetus. Already in 2025, more than half of all new city buses may be electrified. City transport with low speeds and short distances between stops in densely built areas is actually optimal for electric power.

After a few years of traffic testing and supplementary traffic on specific routes, the trend is now rapidly shifting and electric buses are viewed as a natural part of public transport solutions. Virtually all new tenders placed on the market in 2018 include contributions from electric buses, particularly in respect of city transport, and this interest can be seen in all countries in the Nordic region. For some time, the focus in relation to the issue of electric buses has been the type of technology that offers the lowest operating costs in terms of charging technology, batteries, infrastructure, vehicle cost and energy consumption. But when these technologies are used in a complete transport system, the total cost is usually completely different as the length of routes, dwell times, schedule frequency and robustness must also be considered. The interplay between vehicles, infrastructure and traffic planning is essential for efficiency and reliability. This is where Nobina's solutions play a part and make a difference.

We have more than ten years of experience in driving electric buses and are positive towards this trend, not least from an environmental and societal perspective. As the largest bus company in the Nordic region, we have the knowledge and experience, together with municipalities and clients, to meet the demands for a total offering to develop, deliver and operate the optimal electric bus solution for every type of bus system. We have strengthened our organisation with specialist expertise in electrification and productified our offering in the field through Nobina Electrical Solutions.

Our commitment to electric buses covers many different types of projects. In Ängelholm, we have driven city transport using five depot-charged electric buses since February 2016. Drivers, passengers, the municipality and our client are pleased and the buses have travelled more than 700,000 km in total. In August 2018, city transport in Norrtälje will be electrified and we will operate five buses and charge these at night in the depot. Shortly thereafter, at year-end 2018, we are part of plans to electrify city transport in Landskrona, with a total of 19 buses on five routes, in collaboration with Landskrona Municipality and Skånetrafiken. We are also cooperating with Skånetrafiken on electric power in Malmö, where initially one city bus route will be electrified using a total of 13 new buses. In this context, we can also mention our two autonomous buses in Kista, northern Stockholm, which also operate on electricity. In addition, we are part of the extensive electric bus initiative by our client Ruter in Oslo, a collaboration that means we will drive 44 electric buses in the city during 2019.



**NOBINA
ELECTRICAL
SOLUTIONS**

STRATEGIC FOCUS AREAS

We consider that the strong driving forces influencing the development of society and thereby public transport, will offer us favourable opportunities to create continuing profitable growth. This will be achieved by focusing resources primarily on four strategic areas. Nobina is to develop new bus solutions that provide growth to the current offering, operate efficient and innovative contract management, continue to optimise the company's resources and traffic planning, and develop employee skills with diversity and equality as fundamental elements.

Profitable growth by focusing on four strategic areas



Bus solutions

We provide additional value to the contract or create completely new business opportunities.
Pages 14–15



Contract management

We ensure Nobina's profitability by using dedicated and active contract management.
Pages 18–19



Resource efficiency

We work continuously to optimise our fleet of vehicles, traffic planning and driving.
Pages 20–21



Employee development

Our employees are our most important resource in developing sustainable public transport solutions.
Pages 24–25





Bus solutions

By capitalising on our extensive knowledge of passenger flows and customer needs, we can develop solutions that add further value to existing contracts or create completely new business opportunities. We work with four areas for our solutions, all of these with a focus on buses.

The development of bus solutions is a natural consequence of Nobina's market leadership and the rapid technology development that characterises society and thereby public transport. Passenger demand for greater mobility and comfort creates a clear need for solutions that both contribute to society's infrastructure and add further value and experiences. Our bus solutions create profitable growth while increasing the attractiveness of Nobina as a total supplier of public transport solutions for greater societal benefits.

COMPLETE SOLUTIONS

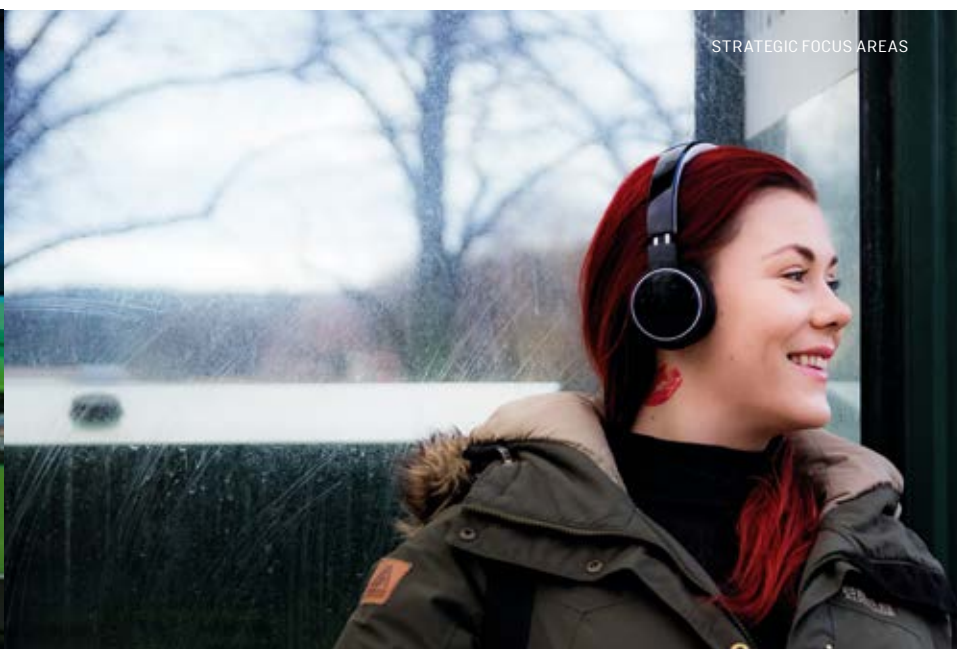
We will increase profitability by fulfilling the needs of our clients and our passengers by offering complete public transport solutions based on bus services. This is particularly important in the rapid urbanisation that is underway in the Nordic region and where greater complexity and limited accessibility require approaches that address the entire public transport solution. Our offering may include solutions for electrified

public transport and charging infrastructure for new residential areas and electric buses. It may also encompass infrastructure initiatives to shorten travel times and increase accessibility for commuters, for example the Bus Rapid Transit (BRT) concept, with a dedicated traffic lane, signal priority junctions and boarding using all of the doors to speed up bus stops. Or the concept for personalised door-to-door solutions, known as MaaS¹⁾, where autonomous buses support other public transport. Another area includes the development of digital personal travel assistants that create greater mobility and comfort for the passenger. Regardless of approach, it must always be based on the perspective of the passenger and society. We achieve this by creating strategic alliances with companies in other public transport segments, by remaining at the forefront of customer and technical solutions and concepts for greater mobility, and through tailored operational solutions based on market conditions, client needs and our competitiveness.

BUS-FOR-RAIL

Our bus-for-rail solutions have been available in the market for more than a decade but are constantly developing. This is an offering that will supplement the existing rail infrastructure, but above all will contribute towards creating benefits for passengers that makes them more likely to choose public transport in preference to the car. We are developing an organisation with central traffic management that can more easily direct traffic where it is needed and can quickly and efficiently communicate with passengers in need. Speed, flexibility and information are crucial elements in value-creating bus-for-rail services. As market leader, we have access to both the bus fleet and to technology and expertise needed to provide rail companies with a complete solution in the area. We currently operate bus-for-rail contracts in all of the Nordic countries with the largest market share in the Swedish market.

1) MaaS = Mobility as a Service. A solution for a passenger's every transport need in a single service.



SPECIAL TRANSPORTATION

We can see other areas of society where our buses may contribute towards creating societal benefits and add profitable growth for Nobina at the same time. For example, we could offer various service solutions in the traffic areas where we operate contracts, such as coach hire, service journeys and dial-a-ride services. These services complement existing public transport solutions and offer greater mobility in areas where regular services by bus or other public transport cannot reach. We can also see opportunities to offer

bus leasing to meet the need, for example, for interregional transport for various events. Irrespective of solution, we should be able to meet the needs for different types of buses, from minibuses to articulated buses.

EXPRESS BUS

The interregional bus services continue to evolve and change in the market. By analysing passenger flows and needs we can continuously adapt bus solutions, for example, through new routes that take customers to towns and locations not

served by rail or by increasing the number of departures at times when more people are travelling. This includes airport bus services and other traffic for specific target groups as well as traffic in connection with major concerts or sports events. We can also see opportunities to develop partnerships to strengthen our position. Moreover, we focus on developing related services and other services that add value for our customers, by simplifying and improving accessibility.

Greater value in existing contracts



OSLO

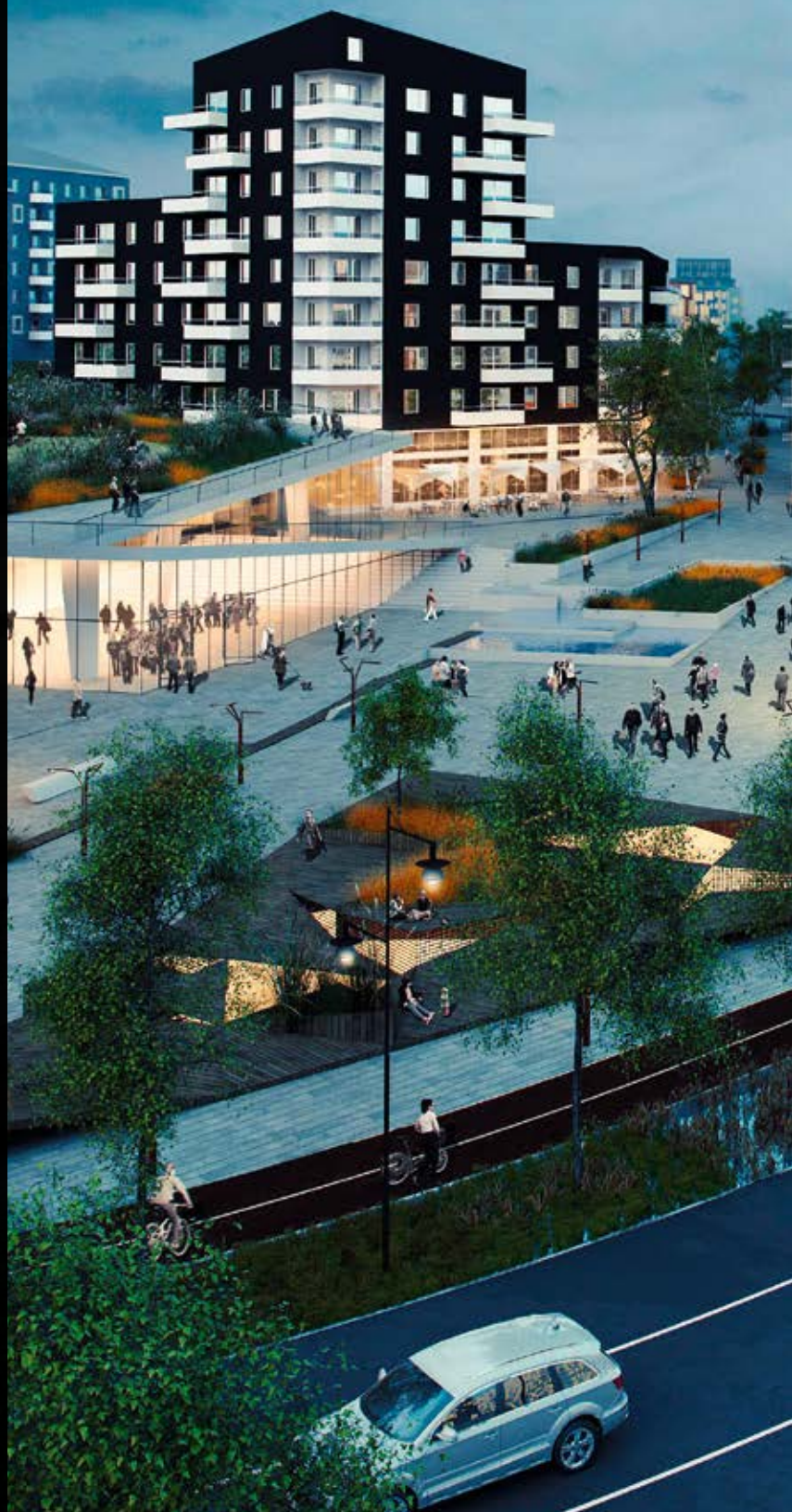
Since November 2017, Nobina has taken part in a two-year test programme in Oslo of electric articulated buses together with the public transport authority Ruter in Oslo and two other operators. Nobina's project is within the framework of existing traffic contracts and Nobina has purchased two, 18-metre depot-charged electric articulated buses that operate route 31 between Snarøya and Grorud in Oslo, the most busiest bus route in Norway with 50,000 passengers per day. Ruter is planning a larger investment in electric buses as of 2020. At least 60 per cent of buses in the city are to be electrified by 2025.

MALMÖ

Extensive investments are to be made in public transport and cycle transport in Malmö over the next 15 years. One important initiative is the new bus routes with MalmöExpressen. Since 2013, Nobina has operated Malmö's busiest route using a Bus Rapid Transit solution, a bus concept that provides faster and more efficient public transport with less environmental impact. The route, which is called MalmöExpressen and uses 24-metre gas-hybrid buses which drive in a dedicated lane and with separate bus stops, has led to a sharp increase in travel and greater passenger satisfaction. Between now and 2029, a total of four new BRT routes will begin operating.

THE RESPONSIBLE JOURNEY

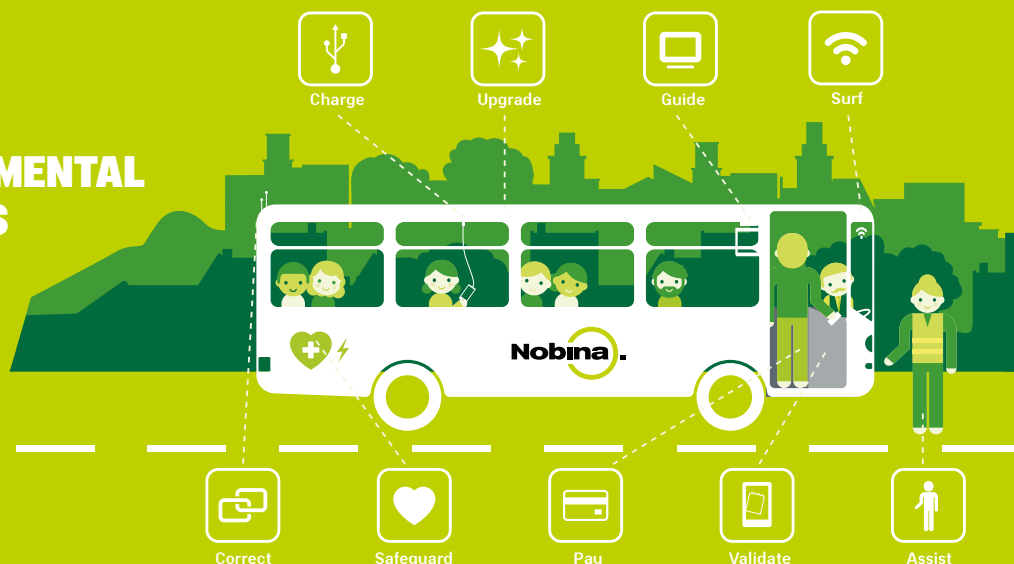
One challenge when extending public transport services is that there are a large number of different players responsible for infrastructure investments and for the operation and maintenance of the transport services. There is substantial potential for improvements in the collaboration between these parties, which would provide more flexible processes and thereby contribute to greater mobility in society. As the market-leading public transport company in the Nordic region, with extensive knowledge of public transport solutions, Nobina serves as a natural bridge. Fundamentally, it concerns social responsibility by addressing the total needs of the public transport solution. In Järfälla Municipality in the Stockholm region, we are part of designing public transport services for the completely new Barkarbystaden district. We are currently responsible for bus services in the local area and are now considering how we can collaborate with Järfälla Municipality, SL and other stakeholders to create an efficient and flexible public transport solution where buses are a key element in the mobility of inhabitants. This includes, for example, small autonomous buses that can connect naturally to the rest of the traffic system, both before and after a metro station is built in the district. Even if the project is at the planning stage, Barkarbystaden will be an opportunity for all parties to test the sustainable transport solutions of the future and thus to create the best public transport for rapidly expanding cities.





INCREASE IN SUPPLEMENTAL BUSINESS OFFERINGS

We offer clients extra services and products to increase customer satisfaction. These include WiFi, USB sockets and the option of attendants in connection with customer events and traffic disruption as well as security cameras. One product is Guide (Vägleda), an information system for passengers containing everything from travel information to on-board entertainment on buses. Sales of supplementary products takes place in all countries where we operate.



Contract management

We ensure Nobina's profitability by using dedicated and active contract management. The aim is to deliver value-creating solutions in existing contracts to generate sales growth, improve diversification and for even closer customer collaboration.

A broad contract portfolio, an increasing contribution from new services and cost-efficient operations are essential for sustaining profitable growth. In line with the goals of our clients, we achieve this by ensuring productivity through early involvement and by driving business development and additional sales in new and existing contracts. Work also includes monitoring and negotiating changes within the framework of existing contracts and establishing an efficient evaluation methodology for contract management in each country.

The contract portfolio must consist of contracts that generate both healthy profitability and favourable growth potential. All competitive contracts in the market are carefully analysed.

PROACTIVE INFLUENCE

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. There is also a trend to include more incentive elements in contracts, which we are positive towards.

CAREFUL ANALYSIS

To ensure contracts are profitable, careful analysing and processing is carried out before we decide which contracts we want to secure. This includes taking an inventory of the entire homogenous tendered Nordic market. The inventory identifies which contracts the respective clients have established with each operator and when these contracts end and are subject to tendering again. The prioritisation of the right contracts to tender for takes place when the tendering process starts. This encompasses careful verification of the conditions and risks as a basis for tender calculations and pricing for the transport solution requested. Ambiguities and unbalanced terms

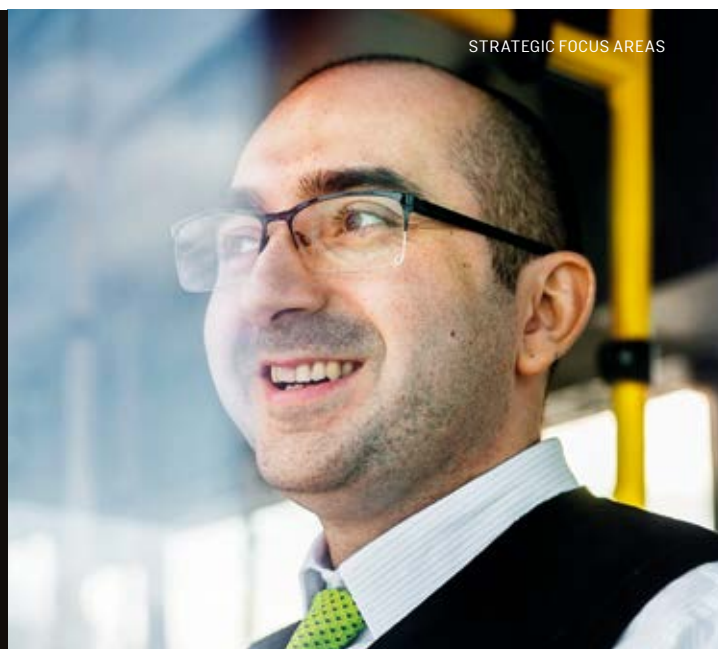
result in a higher tender price to ensure that contracts remain profitable. Conversely, clear and precise contract conditions, balanced terms and low risk result in a lower tender price, which can be expected to lead to lower costs for society and higher delivery quality.

EFFICIENT START-UP

When a tender has been won and a contract signed with the client, the preparatory process can begin ahead of the start of traffic services. Since we often take over depots, support properties and employees from the previous operator, the takeover requires careful planning. Furthermore, the new contract often 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 experience means that this process is both effective and well-established in the organisation.

EMPLOYEES DEVELOP THE CONTRACTS

Contracts based on incentives require a particular focus on travel and customer needs. Our improvement groups help us to benefit from the combined expertise of our employees to pursue this development. In the Södertälje traffic area, improvement groups are working with validation as a focus area. The involvement of employees in this issue has led to greater knowledge about the contracts and an increase in the number of paying passengers. In the Södertörn traffic area, improvement groups have punctuality as a focus area, which has increased understanding of the customer perspective throughout the organisation. Punctuality is also being continuously improved, both for buses and for all other parts of Nobina's value chain.



CONTINUOUS IMPROVEMENT

A continuous improvement process for 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 society, which provides the basis for valuable contract extensions.

EFFECTIVE TRAFFIC PLANNING

Without efficient traffic planning on a daily basis, a contract quickly risks becoming unprofitable. Because most of the contractual costs are variable, cost control is important at every level. We work with centralised traffic planning, which streamlines and improves the quality of service. Good traffic planning reduces the part of routes with empty seats, expands the use of renewable fuels and increases the number of passengers per bus, which systematically improves cost efficiency.

Nobina Analytics

The analytical tool Nobina Analytics is used to compile facts about journey patterns in order to develop public transport in the best possible manner. The core of the tool is made up of local expertise together with the geographic information system (GIS), which is a form of digital map. This contains information about how people travel and what their needs are. By using GIS and aggregated information from travel on Nobina's buses, we can obtain a picture of how public transport can continue to improve in various traffic areas. We use Nobina Analytics when analysing the new contracts we are interested in securing, to ensure profitability and also create the greatest possible societal benefits in the proposed transport solution. This analysis also provides the foundation for new transport solutions within existing contracts, enabling us to suggest new bus routes, more buses on existing routes and other improvements, such as digital screens in buses that show connecting traffic and other important information. Nobina Analytics saves time and money in public transport, with the aim to make the entire journey as smooth as possible for passengers.



Resource efficiency

In order to manage our resources as efficiently as possible, we work continuously to optimise our fleet of vehicles, traffic planning and driving. This has a positive impact on both costs and the environment, at the same time as activities to convince more people to use public transport offer benefits for society at large.

A business built on operational efficiency is essential if we are to achieve our goal of profitable growth. We will provide a reliable and high-quality bus fleet while managing the supply chain with an optimal work flow and high efficiency and level of service.

Work includes traffic planning and maintenance processes that ensure efficiency improvements, and new initiatives to continue to develop long-term fuel-reduction programmes, such as the Green Journey. We will also continuously evaluate different alternatives to balance accessibility and costs for the bus fleet.

THE GREEN JOURNEY – GREATER COMFORT AND LOWER FUEL CONSUMPTION

Our greatest environmental impact is from our fuel consumption and the resulting air emissions. There are clear operational goals, as well as financial incentives, for limiting fuel consumption in current contracts. Our ecodriving concept, the Green Journey, is a smarter method of driving that increases comfort and reduces fuel consumption. Using a unique technical solution, both drivers and managers can easily measure and monitor individual performance and identify where environmental coaching is needed. The calmer driving style also reduces injury and damage rates and increases passenger satisfaction. At the end of the fiscal year, the Green Journey technology was in use in 3,092 of Nobina's approximately 3,600 buses, and drivers in all traffic areas where we have launched the Green Journey have completed training.

FEWER INCIDENTS

One important initiative in reducing the vehicle damage rates is training our environmental coaches in Green Journey methods to become driver coaches, with the aim of teaching drivers to plan their driving even more carefully and thereby reduce the risk of damage to the bus due to carelessness or stress. Moreover, we are working to improve information to drivers concerning traffic problems or other situations that should be avoided to not risk jeopardising the safety of the driver or passengers or damaging the bus.

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 costs. 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 for adapting public transport to passenger needs. During the year, empty runs were reduced to 12.70 per cent (12.87).

OPTIMISING THE FLEET OF VEHICLES

Our buses, numbering about 3,600 in total, are purchased and managed by our 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 related to 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 normally not longer than ten years. The structure also makes it possible to mix old and new buses when tenders are submitted, which has a positive impact on costs. This is also a sustainability issue – that we utilise resources for as long as possible instead of making new investments.

HIGHER PERCENTAGE OF RENEWABLE FUEL AND REDUCED CARBON DIOXIDE EMISSIONS

In tender documentation from clients, it is standard that fuel types and emission levels are specified. 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. The rapid developments in recent years means that our fleet of vehicles consists mainly of buses running on renewable fuel. We have long been active in testing and opting for new fuel types, which has led to a rapid reduction in fossil fuel use in favour of HVO, RME, biogas, electricity, etc. Several current contracts operate solely using renewable fuel, such as in Borås, Kalhäll and Nesodden. The number of such contracts will increase in line with new tenders.

The Group's carbon dioxide emissions per driven kilometre decreased 11 per cent during the year as a result of a larger share of renewable fuel, electric buses and our

244,000

TONNE REDUCTION IN CARBON DIOXIDE EMISSIONS IN SOCIETY

concept for fuel efficient driving – the Green Journey. Since Nobina purchases new buses based on life cycle cost, fuel efficiency is an important argument, and also contributes to reducing carbon dioxide emissions.

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

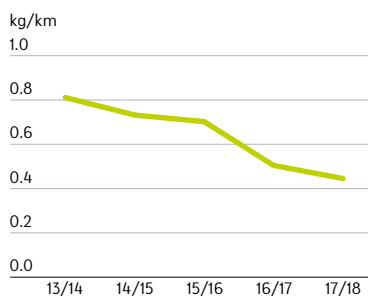
environmental improvements with new and enhanced cleaning equipment in the bus-washing facilities. When setting up or shutting down depots, environmental inspections are conducted to determine Nobina's environmental responsibility and impact. Additionally, water tests are regularly taken to ensure that we do not exceed applicable requirements for emissions to water. The rising percentage of electric buses used in contracts requires new knowledge at depots and workshops. Electric buses require, for example, a different maintenance process with greater focus on electronics.

MAJOR CARBON DIOXIDE SAVINGS¹⁾

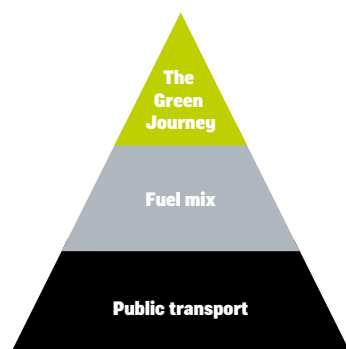
Nobina contributes to substantial reductions in carbon dioxide emissions in society. The most significant reduction is due to passengers choosing our buses rather than driving a car, that more people travel together. We also help to reduce carbon dioxide emissions by our transition from fossil to renewable fuels, such as RME and electricity, and our Green Journey concept makes a positive impact by reducing fuel consumption. Taken together, these factors mean the Group reduced carbon dioxide emissions in society by 244,000 tonnes in 2017. This is equivalent to 3.2 million car journeys between Stockholm and Gothenburg.

1) Source: Transport Analysis, the Swedish Transport Agency and own data.

EMISSIONS²⁾, IN RELATION TO KM DRIVEN



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

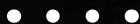


GREEN JOURNEY YIELDS MORE

Sweden was the first country to launch the Green Journey and has therefore made the most progress. Several traffic areas, including Sörmland, Northern Skåne and Södertörn, now have groups consisting of 100 per cent green drivers, meaning drivers who after completing the Green Journey training drive sustainably, sparingly and plan their driving correctly. Introduction of the Green Journey is also in progress in other Nordic countries. In addition to its impact on the environment and economy, the Green Journey also has other positive effects:

- Drivers who adopt ecodriving are more punctual.
- Passenger comfort is improved, and customers are more satisfied with the journey.
- Drivers feel better, as the calmer driving style reduces stress.
- Traffic safety is improved and bus wear reduced.

GREEN JOURNEY TECHNOLOGY IS USED IN 3,092 OF NOBINA'S APPROXIMATELY 3,600 BUSES.



THE FUTURE JOURNEY

In pace with urbanisation, congestion and environmental challenges, passengers are making greater demands on comfort and mobility. Nobina, through for example Nobina Technology, is contributing to new solutions, technology and improved public transport. As the first bus company in the Nordic region, Nobina has invested in its own autonomous buses. A number of trials have been conducted in recent years, and since January 2018 two autonomous buses are operating a route in Kista, north of Stockholm, which is the first trial on public roads in Scandinavia. The connection to the general public transport network at a bus stop or station means passengers can also use public transport for the first or last part of their journey, instead of driving a car.

In parallel with the six-month bus trial in Kista, we are also taking part in a larger pilot project in Copenhagen, with four autonomous buses operating on two routes. This project will run for three years and is an important complement in providing greater accessibility in one of Denmark's largest urban areas, while facilitating urban planning for the future. The project is also supported by the EU's Urban Innovative Actions programme.

Even if it will take many years before autonomous buses are a common sight in our cities, we can already see a potential to utilise some of the technology installed in the buses in our other buses. Sensors for crash protection and automatic parking is technology that is already used in many cars and that will help to improve safety for both bus drivers and passengers.







Employee development

Our employees are our most important resource in developing sustainable public transport solutions and in creating long-term, profitable growth. Nobina is to be an attractive employer with a values-driven management style where diversity and equality are self-evident.

When operating in a labour-intensive industry such as public transport, it is particularly important to both attract new employees and motivate our existing staff. As the market leader, Nobina is to pursue initiatives that help to increase the recruitment base and attractiveness of a career as a bus driver. Working with buses is a future profession where the need for attractive and sustainable public transport solutions creates a requirement for expertise in many different areas.

RECRUITMENT OF DRIVERS AND WORKSHOP PERSONNEL

It is important that Nobina is perceived as an attractive employer, particularly when recruiting new drivers and workshop personnel and in tender processes. When we take over contracts from industry colleagues, we offer drivers and workshop personnel 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 when needs arise or in conjunction with changes in the operations. The company collaborates with job centres in all of the Nordic countries to expand the recruitment base for a career as a bus driver. In Sweden, Nobina has collaborated with the Arbetsförmedlingen job centre for many years. In 2017, for example, we turned to broader groups to increase the size of the base for driver training as conducted by Arbetsförmedlingen. The correct profile is more important than, for example, experience from the transport sector. Everyone applying for work as a driver must complete a personality form and complete a proficiency test, which checks the ability to multitask

and reaction times. The personality form is compared with Nobina's driver profile. A high level of service, pleasant demeanor, and an ability to assess risks and to work well under pressure are important qualities for the job.

In Sweden, we also offer training for prospective employees that lack a bus driving license and YKB certification (for professional drivers) through our internal training organisation, The Nobina Academy. During the fiscal year, a total of 167 people were trained as bus drivers through our own training courses.

PASSIONATE ABOUT 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 resolute 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. Communicative leaders with a focus on the individual and deep insight into our values are particularly important, as our work has a wide geographic coverage and is conducted around the clock. In 2018, we will introduce a training course in inclusive leadership. Diversity, with employees from many different cultures, sometimes requires special experience among management. This course will help to strengthen management focus on working with diversity in a positive and stimulating way for Nobina.

TRAINING AND DEVELOPMENT

All employees have individual objectives that are discussed and formulated during performance appraisals with the employee's immediate manager. One important element in this is a clear plan for training. Nobina's success is based on continuous skills development for employees. Specific training plans are created after each traffic area has identified its training needs. All central training is carried out within the scope of the Nobina Academy. In 2017/2018, each employee has, on average, had 33.19 (32.25) hours of training.

We encourage our employees to seek new challenges within the Group. Drivers who are interested in developing within Nobina may be offered to apply for a job as instructor on YKB training courses, as a supervisor for new drivers or for a position within the scope of 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. Nobina allows employees to temporarily leave their job to try out their profession in another country where Nobina has operations, an opportunity that leads to increased experience.

STRIVING TO DEVELOP

Our work with improvement groups aims to leverage the combined expertise of our coworkers in their daily activities and to enable our employees to participate in the continuous development of the company. The concept is based on a shared structure for stability and a long-term perspective. At year-end, there were a total of 72 active improvement groups with about 600

OUR OFFERING AND OUR VISION – “EVERYONE WANTS TO TRAVEL WITH US” – COMES TO LIFE THROUGH OUR EMPLOYEES IN THEIR DAILY CONTACT WITH PASSENGERS.

employees. Improvement efforts are based directly on Nobina's values. This method of working has been used since 2008 in all countries with a gradual implementation into new traffic areas.

DIVERSITY AND EQUALITY

The bus industry and Nobina are characterised by wide diversity among its employees. 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. Work with diversity and equality also gives us a broader recruitment base and strengthens our employer brand, which ultimately leads to greater profitability. In recent years, we have carried out exercises and workshops in management groups, traffic management groups, traffic areas, among colleague supporters and other groups to increase awareness of diversity, equality and anti-discrimination legislation. During the recruitment process at Nobina, we strive to ensure that one of the final candidates is always of the gender that is normally under-represented for the profession that is being applied for, in order to achieve the best possible balance at all levels.

EMPLOYEE SURVEYS

The level of our success in creating an attractive work place is reflected in Pulsen, Nobina's employee survey. The survey includes a total of 16 questions aimed at measuring employee motivation. In 2017/2018, we achieved a value that reflects good employee motivation

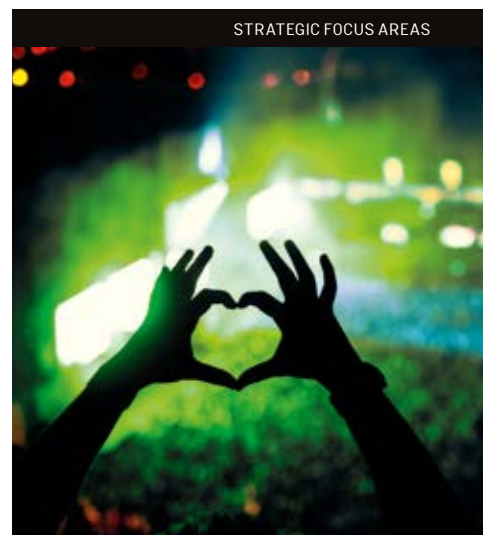
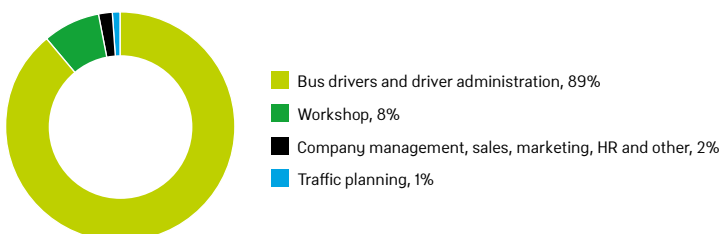
for 11 of the 16 questions compared with nine questions in the preceding year. 76 (74) per cent of employees took part in the survey. When we enter a new traffic area and take over, for example, drivers from the previous operator, Pulsen acts as a good initial value to see the level of job satisfaction among employees and how this can be developed.

One of the questions in Pulsen concerns bullying and harassment. Nobina tolerates no forms of harassment or discrimination, and in spring 2017 a comprehensive initiative was started to counteract this within the company. This included in-depth interviews with employees, workshops, activity planning and follow-up.

SAFE WORKPLACE FOR A SECURE JOURNEY

We drive about one million passengers to their destinations every day. It is extremely important that Nobina offers an attractive and safe workplace that also provides passengers with a safe and attractive journey. 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. In 2017/2018 Nobina trained 34 supervisors who in turn will provide training to drivers on how to deal with threats and violent situations. Threats and violence have increased considerably in all countries during the year. In addition to greater accuracy in reporting, rising tension in society at large has also influenced the situation.

EMPLOYEES BY CATEGORY, %



NOBINA AT STOCKHOLM PRIDE

In 2017, Nobina celebrated five years as sponsor and partner of Stockholm Pride. Being visible and supporting the festival is one way of showing that diversity in welcome and that variation enriches Nobina.

THE NOBINA ACADEMY

There are 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, for example.





THE SAFE JOURNEY

In recent years, passengers have felt growing concern about travelling by bus in certain areas, and many drivers have felt vulnerable. As the leading bus company in the Nordic region, Nobina wants to contribute to societal benefits and counteract the negative trend, and simultaneously create a safe and secure environment for both our drivers and passengers.

One important way forward is to increase awareness of how we are expected to act in different situations. We are training supervisors who in turn are training drivers in how they should react if they find themselves in threatening or violent situations. Another example of how we are contributing to increased security in society is our traffic attendants. Over the past year, we have increased the number of attendants, including at various transport nodes and to be available on site when incidents, or delays, occur. Being visible in traffic and supporting our passengers increases well-being and thereby customer satisfaction. We work proactively to be a part of the local community and maintain a regular dialogue with young people and adults in our traffic areas to create an understanding of the problems and to form a basis for successful and preventive security work. We frequently visit schools and youth centres and cooperate with various security initiatives, such as the parent groups Nattvandrare and Föräldrar på stan, or sport associations and religious communities.

PROFITABLE CONTRACT MIGRATION

Nobina's economies of scale, market expertise and large bus fleet, combined with the long-term delivery of quality, make Nobina the industry leader in terms of profitability. The contract portfolio forms the core of operations, and focus is on profitable growth through active contract management and by adding a greater number of profitable contracts.

The majority of Nobina's business volume comprises contracts secured in a tendering process for a client's public transport services, and we currently operate some 110 contracts in 32 traffic areas.

The contracts extend over longer periods, usually from five to ten years, including the widely used extension periods. Our aim is to continue to grow the contract portfolio, growth that retains or improves profitability during the contract period.

PROFITABLE CONTRACT PORTFOLIO

Considering the contracts' long time horizon, it is very important for Nobina's competitiveness that profitability is ensured in every individual contract. Substantial emphasis is therefore placed on ensuring that contracts are correctly priced in relation to content. Another key priority is a balanced portfolio in terms of the maturity of the various contracts, as profitability and cash flow change during the contract period. Contracts are less profitable or loss-making at the start of the contract period. Profitability then gradually increases and reaches a peak at the end of the period, and if the contract's extension option is exercised profitability and cash flow are further strengthened. Migration between contracts that end and new contracts that start and the current average age of the contract portfolio influence the Group's recognised profitability for individual years. Knowledge and control of this accrual effect is therefore crucial.

Gradual decrease in capital costs

New contracts are often 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. To even out cash flow over the contract period, buses are through financial leases.

Gradual increase in efficiency

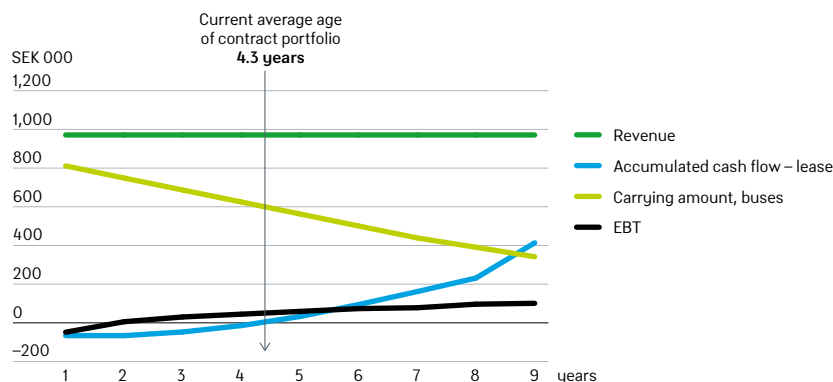
More resources are always needed in the form of drivers, buses and traffic management to guarantee high-quality transport delivery from the outset. We can then grad-

ually increase efficiency in resource utilisation across the entire contract period while maintaining delivery quality. Efficiency is also positively impacted by regular negotiations with clients. Taken together, this means that relative resource costs are lowest at the end of the contract period.

CONTRACT ACQUISITION

In our industry, another way to strengthen the contract portfolio, without the burden of the initial weaker profitability experienced in connection with organic growth, is to acquire existing and more mature contracts. This may consist of company acquisitions or taking over contracts that complement existing services and creates positive cost and revenue synergies in a specific area or region, and thereby also for the total contract portfolio.

FINANCIAL PERFORMANCE DURING A CONTRACT CYCLE



8.0 (8.2)

WEIGHTED AVERAGE CONTRACT TERM, YEARS

6.1 (5.6)

AVERAGE AGE OF BUS FLEET, YEARS

4.3 (3.7)

WEIGHTED AGE OF THE CONTRACT PORTFOLIO, YEARS



NOBINA'S TARGETS

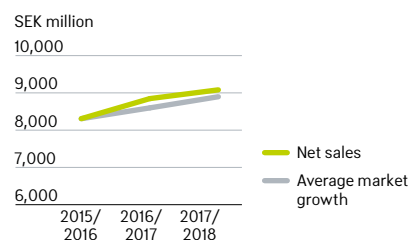
The overall goal for Nobina's operations is to generate stable, profitable growth over time. Nobina is also striving to achieve the following financial and sustainability targets.

Financial targets

NET SALES ARE TO INCREASE AT A FASTER RATE THAN THE MARKET

Comments

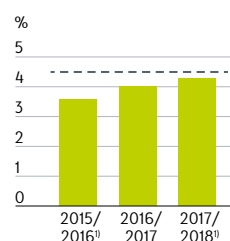
Following a few years of enhanced growth compared to the market, net sales increased by 2.7 per cent, compared with average market growth of approximately 3–4 per cent. The increase is from revenue from existing contracts, indexation of revenue and extra traffic, but is offset by negative effects of last year's contract migration.



EBT MARGIN IS TO BE AT LEAST 4.5 PER CENT IN THE MEDIUM TERM

Comments

EBT margin (adjusted EBT margin) increased from 4.0 per cent in 2016/2017 to 4.3 per cent in 2017/2018. Adjusted EBT margin was positively impacted by extra traffic and the increase in passenger-driven revenue and positively impacted by the effects of contract migration.

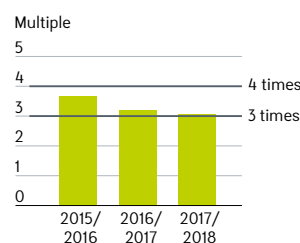


1) Adjusted for items affecting comparability, SEK 297 million (2015/2016) and SEK 33 million (2017/2018).

NET DEBT/EQUITY RATIO²⁾ IS TO BE WITHIN 3 TO 4 TIMES EBITDA

Comments

Net debt/equity ratio was 3.1 times EBITDA as of 28 February 2018. Nobina has no strategic debt in the balance sheet and a higher net debt/equity ratio is often the result of the start of new contracts and the procurement of new buses. During the year, the net debt/equity ratio decreased slightly due to few traffic start-ups and the resulting low financing needs.

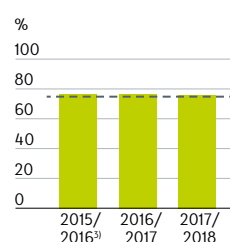


2) Net debt/equity ratio is defined as net debt/EBITDA.

AT LEAST 75 PER CENT OF ADJUSTED EBT IS TO BE DISTRIBUTED TO SHAREHOLDERS

Comments

The Board proposes an increase of dividends to SEK 3.35 per share, equivalent to 76 per cent of adjusted EBT and a dividend yield of 6.1 per cent based on the Nobina closing share price as of 28 February 2018. Nobina is debt financing its entire bus fleet through financial leasing meaning the company does not need its cash for bus investments and can therefore maintain a generous dividend policy.



3) Adjusted for IPO costs.

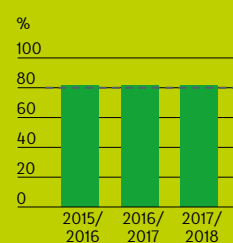
Sustainability targets Long-term goals that are reviewed on an annual basis.

CUSTOMER SATISFACTION

Retain a level of customer satisfaction exceeding 80 per cent

Comments

Measured by Nobina using its own on-board polls twice per year on a selection of routes and by client's in our traffic areas. Overall, the outcomes indicate a stable and high level of customer satisfaction due to the many local activities aimed at improving the customer experience.

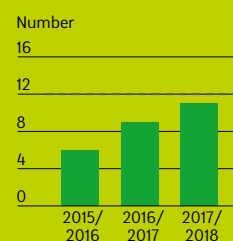


EMPLOYEES

At least 12 of the 16 questions in Pulsen are to show good employee motivation

Comments

The Pulsen employee survey consists of 16 questions that measure motivation among employees. In 2017, we achieved good employee motivation on 11 of the 16 questions. This is an increase by two questions compared with the preceding year and is the result of individualised leadership and a focus on greater participation.



SAFETY

Fewer than four cases of personal injury for a transport distance equivalent to circumnavigating the world 100 times

Comments

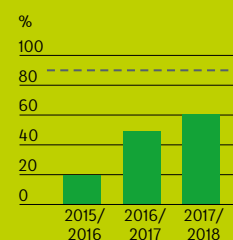
Training and continuous information to drivers and traffic operators has helped to further reduce the number of personal injuries in traffic to fewer than four cases for a transport distance equivalent to circumnavigating the world 100 times, which is in line with our target.

0.8
OUTCOME 2017/2018

SUSTAINABILITY
At least 90 per cent of all drivers are to adopt ecodriving

Comments

During the year, Nobina has continued its initiative to train environmental coaches, drivers and line managers, which means more drivers are now adopting ecodriving, meaning they are driving sustainably, sparingly and are correctly planning their driving.







THE SMART JOURNEY

Nobina is not only the largest bus company in the Nordic region, it is also the largest public transport company, with about one million passengers boarding every day. Using data from its own traffic, and with new analysis and processing tools, Nobina can develop services and solutions that provide greater mobility and comfort for users of public transport. The long-term goal is to work together with our partners to create a public transport solution that in each individual local market minimises time lost and environmental impact. A first step towards achieving this is the development of digital tools that facilitate travel in today's public transport market. Since 2016, we have, in cooperation with SL, offered Stockholm's commuters the travel planning app Res i STHLM, to make daily travel easier. By using our new, digital personal travel assistant, Travis, our passengers receive help to find the fastest, cheapest and easiest way to get to the desired destination. The app compares various means of transport and provides updated information about traffic disruption, delays and other factors that may impact travel.



NOBINA AS AN INVESTMENT

Nobina is the Nordic region's largest and most experienced bus company. We are industry leader due to our expertise in tendering and active management of traffic contracts in combination with the development of new services and bus solutions that provide both profitable growth and additional value to our customers.

STRATEGY FOR PROFITABLE GROWTH

Nobina operates in stable, expanding markets in the Nordic countries, which have similar conditions in terms of public transport services. Urbanisation, growing environmental awareness, public-sector investments and greater mobility are strong forces driving the expanding public transport market. By winning and actively managing the right contracts in the right traffic areas, while developing value-creating services and new bus solutions, we aim to continue our profitable growth.

POTENTIAL FOR OPERATIONAL IMPROVEMENTS

Nobina is to increase profitability and achieve an EBT margin in excess of 4.5 per cent in the medium term. Extensive analysis ahead of and during the contract period, together with continuous improvement measures in existing contracts, provides scope for continuing operational improvements. We

study how each individual contract fits in relation to our depots and traffic management centres, and ensure that optimal use is made of the vehicle fleet and review opportunities to transfer buses between traffic areas. We are operating in an industry that is almost unaffected by the business cycle with political agreement on tendering methods. Combined with long contract periods, this generates long-term, favourable conditions for analysis and profitability improvements. Profitability is further strengthened through optimal use of resources and by continuously developing our employees.

STABLE NET INDEBTEDNESS

Nobina strives to maintain a net debt/equity ratio of between 3.0 and 4.0 times 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 ambition to only win profitable contracts, will eventually lead to improved profitability. Nobina finances buses over ten years. However, the useful life is 14 years, which further strengthens the results.

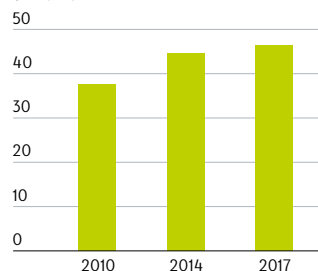
HIGH LEVEL OF DIVIDENDS

Nobina's dividend policy means that Nobina, under normal circumstances and considering cash flow, investment need and general operating conditions, annually will distribute at least 75 per cent of its profit before tax (EBT). For the 2017/2018 fiscal year, the Board has proposed a dividend of SEK 296 million, equivalent to 76 per cent of adjusted earnings before tax (EBT). Per share, dividends amount to SEK 3.35 and this entails a yield of 6.1 per cent as of 28 February 2018.

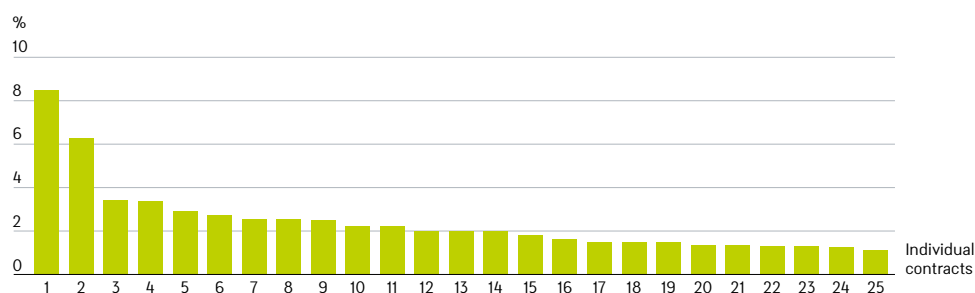
MARKET WITH STABLE GROWTH

Nordic public transport market

SEK billion



LOW DEPENDENCY ON INDIVIDUAL CONTRACTS, PER CENT OF NET SALES IN 2017/2018



THE SHARE

Nobina's share is listed on Nasdaq Stockholm's Mid Cap list under the category Industrial goods and services. For the 2017/2018 fiscal year, total return on the Nobina share amounted to 5.9 per cent and market capitalisation was SEK 4,877 million as of 28 February 2018.

SHARE PRICE TREND

The last traded price for Nobina's share as of 28 February was SEK 55.20, compared with SEK 55.25 for the preceding year-end. Total return, which is the share price trend including reinvested dividends, amounted to 5.9 per cent during the same period. This compares with the SIX Return Index (SIXRX), which during the same period also increased by 5.9 per cent. The lowest price for the Nobina share for the year was noted on 21 August 2017 and was SEK 37.70. The highest price for the year was noted on 17 and 19 January 2018 and was SEK 61.20.

TURNOVER

Total turnover of Nobina shares on Nasdaq Stockholm was 79 million (86) for the fiscal year. This corresponds to a turnover rate of 90 per cent (97). On average, 314,973 Nobina shares were traded per day.

SHAREHOLDERS

The number of shareholders increased to 18,338 (15,082). The ten largest shareholders control 33.7 per cent of the capital and votes at the end of the fiscal year. Invesco and Swedbank Robur Fonder were the largest shareholders in Nobina at the end of the fiscal year. The proportion of foreign shareholders amounted to 54.5 per cent of capital and votes, and 1.8 per cent of the number of shareholders.

ANALYSTS WHO MONITOR NOBINA

Carnegie, Danske Bank and Pareto.

SHAREHOLDERS' EQUITY

Shareholders' equity in Nobina amounts to SEK 1,436 million (1,421) and is allocated to 88,355,682 shares.

PROPOSED DIVIDEND

The Board proposes a dividend of SEK 3.35 per share (3.10) for the 2017/2018 fiscal year, corresponding to a total distribution of SEK 296 million, which is equivalent to a dividend yield of 6.1 per cent based 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
E-mail: 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 2017/2018: 61.20
Lowest price in 2017/2018: 37.70
Closing price 2017/2018: 55.20

Market capitalisation as per 28 February 2018:
SEK 4,877 million
Turnover rate 2017/2018: 90 per cent
Number of shares: 88,355,682
Number of shareholders: 18,338

IR contact
Mattias Gelinder, Head of Treasury & IR
Tel: +46 (0)8 410 65 402
mattias.gelinder@nobina.com

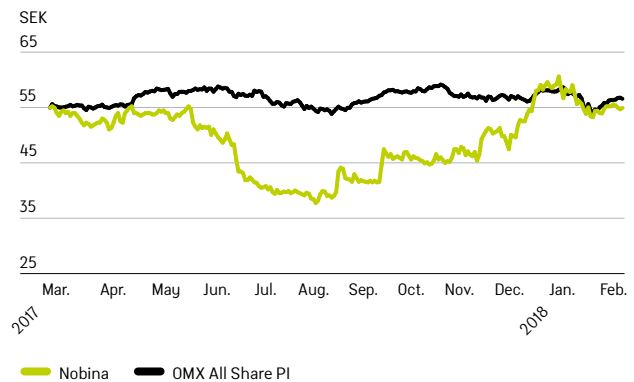
6.1%

DIVIDEND YIELD

TOTAL RETURN SINCE LISTING



SHARE PRICE TREND 2017/2018



18,338

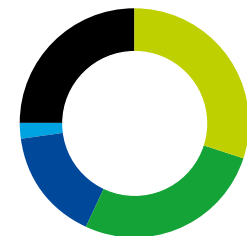
TOTAL NUMBER OF SHAREHOLDERS IN NOBINA

MAIN SHAREHOLDERS¹⁾

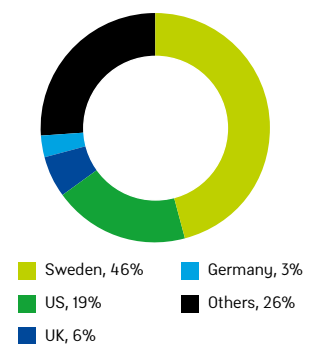
	Number of shares	Share of capital and votes, %
Invesco	5,753,495	6.5
Swedbank Robur Fonder	5,281,064	6.0
SEB Fonder	3,208,540	3.6
Danske Invest Fonder	3,040,505	3.4
JP Morgan Asset Management	2,930,894	3.3
Artemis	2,443,397	2.8
Deutsche Asset & Wealth Management	2,144,101	2.4
Länsförsäkringar	1,790,077	2.0
Third Swedish National Pension Fund (AP3)	1,667,035	1.9
Avanza Pension	1,609,514	1.8
Others	58,487,060	66.3
Total	88,355,682	100.0

1) All shareholder information is accurate as of 28 February 2018.

HOLDING BY CATEGORY



HOLDING BY COUNTRY



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 2017/2018 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. Nobina has no deviations from the Code to report.

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.

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,

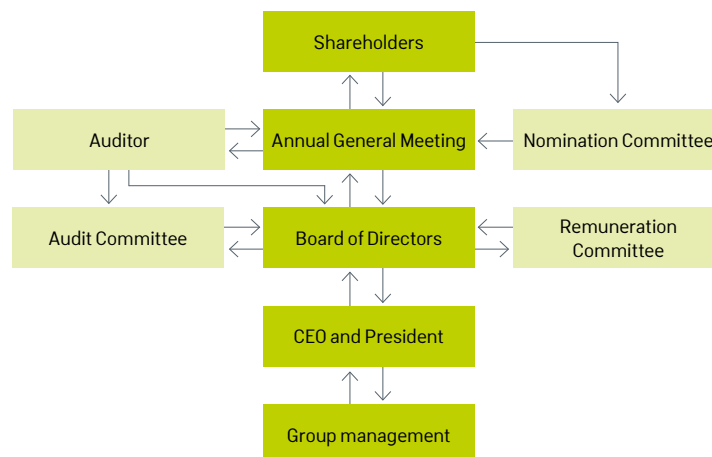
ORGANISATION OF NOBINA'S CORPORATE GOVERNANCE

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



for all shares in the company and there are no limitations on how many votes each shareholder can cast at the AGM.

Annual General Meeting 2017

At the AGM on 31 May 2017, 34.5 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, Graham Oldroyd, Ragnar Norbäck and Jan Sjöqvist were re-elected as Board members, and the latter was re-elected as Chairman of the Board. Monica Lingegård and Liselott Kilaas were elected as new Board members and thereby replaced Axel Hjärne and Birgitta Kantola. 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 2,500,000 in total. It was decided that CEO Ragnar Norbäck will receive directors' fees only after he ceases to be employed as CEO on 2 October 2017. 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 2016/2017 fiscal year and the Board members and CEO were discharged from liability.

In accordance with the Board's proposal, it was resolved that the SEK 191,136,602 in profit for the year be transferred to retained earnings. In addition, disposable earnings from the previous fiscal year totalled

SEK 1,043,987,950 and the share premium reserve of SEK 1,335,198,568. The meeting resolved to pay a dividend to shareholders of SEK 273,902,614 (SEK 3.10 per share) for the past fiscal year. Consequently, SEK 2,296,420,506 will be carried forward to the next fiscal year.

The principles for appointing a Nomination Committee and guidelines on remuneration to senior executives were adopted by the meeting in accordance with the submitted proposal. Furthermore, the meeting resolved in line with the Board proposal to introduce a performance-based share savings programme. As a consequence, the meeting also resolved in accordance with the Board's proposal to authorise the Board to acquire and transfer own shares within the scope of the share programme, to transfer own shares to participants in the programme and on a draft decision for share swap agreements with third parties. Finally, the meeting resolved in accordance with the Board proposal to authorise the Board to take decisions on new share issues, and so forth.

Annual General Meeting 2018

The 2018 AGM will be held on 31 May 2018. 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 2017 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 2017. 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.

At Nobina, diversity is viewed as a material and integral part of efforts to pursue responsible and continuously improving operations. Diversity is also viewed as a critical success factor in achieving strategic goals. Ahead of the 2018 Annual General Meeting, the Nomination Committee has applied section 4.1 of the Code as its diversity policy. The aim of the Nomination Committee has been to provide the Board of Directors with the expertise and experience required to lead the company's operations in an optimal manner. In addition, it has been the ambition of the Nomination Committee to promote a gender balance by ensuring the proportion of female Board members and strengthening the industrial and operational experience on the Board of

Directors. As a result of the Nomination Committee's work, the Nomination Committee's proposed Board composition will represent a variation in terms of gender, age and background and suitable breadth in terms of industrial, financial and marketing expertise.

NOBINA'S BOARD OF DIRECTORS

The Board's responsibility

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

Composition of the Board of Directors

The Articles of Association state that the Board is to comprise not less than three and not more than ten Board members.

The Board is to have an appointed Chairman, who, under Swedish law, may not simultaneously serve as the company's CEO. According to the Code, the Chairman shall be elected by the AGM. During the 2017/2018 fiscal year, the Board comprised six members. John Allkins, Graham Oldroyd, Ragnar Norbäck, Monica Lingegård, Liselott Kilaas 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 are independent in relation to the company and its management.

Work performed by the Board during the year

The Board met nine times during the fiscal 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 sometimes 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 the 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 2017.

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.

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

NOBINA'S NOMINATION COMMITTEE AHEAD OF THE 2018 AGM

Member	Representing	Shareholding/votes
Jan Sjöqvist	Chairman of the Board	0.2%
Evert Carlsson	Swedbank Robur Fonder	5.3%
Nuno Caetano	Invesco Limited	6.5%
Mattias Cullin	Danske Capital	4.1%

The members of the Committee were appointed based on the ownership structure as of 30 September 2017. The shareholdings are reported as of the same date. Chairman of the Nomination Committee is Nuno Caetano.

Board of Directors



	JAN SJÖQVIST , Chairman	RAGNAR NORBÄCK	JOHN ALLKINS
Born	1948	1955	1949
Elected	2005	2014	2013
Other assignments	Chairman of the Board of Aditro Logistics AB.	Chairman of the Board of K2 Nationellt Kunskapscentrum ¹⁾ . Board member of N3 Group AB.	Board member and Chairman of the Audit Committee of Renold 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 and President of Nobina AB ²⁾ . CEO of American Express Corporate Travel Nordic, Volvo Aero Engine Services, Linjebuss Trafik AB, GLAB (Adidas) and TNT Ipec Sweden. Board member of K2 Nationellt Kunskapscentrum ³⁾ .	Board member of Volex plc, Linpac Senior Holdings Ltd, Albemarle & Bond plc, Molins Plc and Intec Telecommunications plc. Board member and Chairman of the Audit Committee of Punch plc and Fairpoint plc ⁵⁾ . Executive Roles; Group Finance Director MyTravel plc and CFO of Equant NV.
Dependence status	Independent in relation to Nobina, its management and major shareholders.	Independent in relation to Nobina, its management and major shareholders ³⁾ .	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/votes⁷⁾	193,737	700,000	54,963
Total remuneration in 2017, SEK	900,000	4,800,000 ⁴⁾	450,000
Independent	Yes	Yes	Yes
Attendance at Board meetings	9 of 9	8 of 9	9 of 9
Attendance at remuneration committee meetings	3 of 3	–	–
Attendance at audit committee meetings	–	–	4 of 4

1) Chairman of the Board since 1 June 2017.

2) Board member until 1 June 2017, thereafter Chairman of the board.

3) Though dependent in relation to Nobina and its management until 2 October 2017 when his employment as CEO came to an end.

4) President and CEO until 1 June 2017.

5) Assignments ended in August 2017.

6) Assignments for Memira since June 2017.

7) All shareholder information is accurate as of 28 February 2018.

**LISELOTT KILAAS**

1959

2017

Board member of DNV-GL, Orkla, Norska pensionsfonden Nordic and TioHundra and Memira⁶⁾.

CEO of Aleris AB and Board member of Polaris Media ASA, Telenor, I.M. Skaugen, Norges Bank.

Independent in relation to Nobina, its management and major shareholders.
Master of Business Administration from the IMD Business School and a Master's degree in mathematics and statistics from Oslo University/Norwegian University of Science and Technology.

–

337,500

Yes

4 of 6

–

3 of 3

MONICA LINGEGÅRD

1962

2017

CEO of Samhall AB, Chairman of the Board of SSC and Board member of Orio, Almega and Humana.

CEO of G4S in Sweden and CEO of Prenax Global. Senior positions in IT consulting, including Spray and Cap Gemini.

Independent in relation to Nobina, its management and major shareholders.
MSc in Business and Economics at Stockholm University.

–

337,500

Yes

4 of 6

–

3 of 3

GRAHAM OLDROYD

1961

2014

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 commissioner at the Church of Commissioners For England.

Partner at Bridgepoint, responsible for Bridgepoint's investments in the Nordic region. Professional qualifications: Eurlng, CEng, FIMechE and MCSI in the UK.

Independent in relation to Nobina, its management and major shareholders.

MA Engineering, Cambridge University; MBA INSEAD Business School.

34,375

450,000

Yes

9 of 9

3 of 3

–

BOARD MEETINGS DURING THE FISCAL YEAR

Date	Type of meeting	Matters addressed
22 February	Scheduled	Operations, Budget, Multi-Year Plan, Board Evaluation
4 April	Scheduled	Operations, Interim Report
27 April	Scheduled	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
16 November	Extraordinary	Strategy and business development
29 December	Scheduled	Operations, Interim Report, Risk Analysis, Business Plan
23 January	Extraordinary	Strategy and business development

Group management



	MAGNUS ROSÉN	PER SKÄRGÅRD	JAN BOSAEUS	MARTIN PAGROTSKY
Title	President and CEO of Nobina AB from 1 June 2017 ¹⁾	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	Senior Legal Counsel and Chief Compliance Officer since 2006
Born	1962	1957	1960	1974
Other assignments	Board member of Bonava.		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 Board member of The Confederation of Swedish Enterprise.	
Previous assignments	Board member of Llentab ²⁾ , CEO of Ramirent plc, CEO of BE Group Sverige AB, CEO of Cramo-Sverige AB. Service market manager BT Svenska 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 Civilekonomforeningen).	Board member of the Swedish Bus and Coach Confederation, X2 AB. Working Committee member of the Confederation of Swedish Enterprise. Head of Service of Kalmar LMV Sverige AB.	Member of the Swedish Bar Association. Senior Associate at Vinge Law Firm. Law Clerk at Karlstad Administrative Court.
Education	Master of Business Administration from the Stockholm School of Economics.	Business administration at Stockholm University	Business Administration graduate, Arméns Tekniska Officershögskola	Master of Law degree, Stockholm University
Number of shares/votes⁶⁾	30,000	217,878	210,913	66,844

1) Ragnar Norbäck was President and CEO until 1 June 2017.

2) Assignment ended on 31 December 2017.

3) Assignment ended in April 2017.

4) Until Jan Volsdal assumed his position, Jon Hovde was Acting Managing Director.

5) Assignment ended on 31 December 2017.

6) All shareholder information is accurate as of 28 February 2018.



NIELS PETER NIELSEN	TOMAS HANSSON	JAN VOLSDAL	ANNA JONASSON	TOM WARD
Managing Director at Nobina Danmark A/S since 2011	Director of Business Development & Group functions since 1 Feb 2018	Managing Director of Nobina Norge AS since March 2017 ⁴⁾	Director of HR since 2016	Managing Director of Nobina Finland since 2004.
1965	1986	1975	1970	1956
Board member of DKT (Dansk Kollektiv Trafik).				Board member of Autoliikenteen Työnantajaliitto ry (ALT), Employers' Federation of Road Transport.
Operations Manager Nobina Denmark and Arriva A/S. Head of operations (Rail-freight) DSB (Danish railways). Board member of the Federation of Road Transport ³⁾ .	CFO of Nobina Sverige AB, Business area manager at Swebus, Management consultant with the Boston Consulting Group.	CEO of Bring Cargo AS, Director of Bring International, CFO of Logistik Posten Norge. Other managerial positions for Bring and Posten Norway. Factory Director Farris, Ringnes AS/ Carlsberg. Planning Manager, Ringnes AS, project manager Ringnes AS.	Project Manager at EY. Project Manager and Head of Operations of Nobina Sweden since 2005.	Board member of Bussförbundet ³⁾ . Employed at Huolintakeskus Oy, Scan-spä Oyj and MPS Management Consulting. Director of the Profit Centre at Oyj Scan-Auto AB.
Business Economist	CMSc. Engineering from KTH, MSc in Business and Economics at Stockholm University.	CMSc. Engineering from NTNU, industrial economy	Economics	Merkonom, Lahtis
79,005	19,000	4,000	5,900	112,066

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), Monica Lingegård and Liselott Kilaas, 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 fiscal 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 of HR, Senior Legal Counsel & Chief Compliance Officer and Director of Business Development & Group functions. Group management holds nine scheduled

meetings per year 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. Authorised public accountants or registered auditing firms shall be appointed as auditors or deputies as appropriate.

The 2017 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-monthly or 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 met the Board without the presence of company management. The auditor may only be engaged for consulting services that have been decided on 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 MANAGEMENT AND BOARD OF DIRECTORS

Guidelines for remuneration of senior executives

Senior executives at Nobina include the CEO, the managing directors of subsidiaries and functions that report directly to the CEO. Remuneration of senior executives includes fixed salaries, short and long-term variable remuneration, pensions and other benefits. Senior executives may also be offered to participate in various incentive programmes issued by Nobina AB on market conditions. The overall aim of such incentive programmes is to create shared

interest between Nobina's senior executives and shareholders.

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 is capped at 60 per cent of fixed annual salary for managing directors of subsidiaries and is capped at 30 per cent of fixed annual salary for senior executives.

Nobina's Board of Directors has resolved to introduce a long-term incentive programme in the form of a share savings programme to further motivate and retain Nobina's key personnel. Up to 22 senior executives and other key personnel of the Nobina Group are included in the programme, which must not exceed 17 per cent of each participant's annual fixed salary for 2017/2018.

The share savings programme has two different forms, matching and performance shares, where participants are required to acquire shares in Nobina AB or, alternatively, to use shares they already hold.

Costs for the share savings programme will be recognised over the savings period, which begins on 1 March 2018 and applies for a three-year period. The matching and performance shares will be transferred not later than 45 days after the publication of Nobina's year-end report for 2020/2021, if participants are still employed by the Nobina Group.

In the event of termination of employment, senior executives at Nobina are entitled to not more than 18 months' compensation including salary during the notice period. A six-month mutual termination period applies between the company and Nobina's CEO, while shorter termination periods than six months may be permitted for other senior executives. Up to 12 additional months' remuneration is payable for

the CEO should employment be terminated by the company, while shorter termination periods than 12 months may be permitted for other senior executives.

Pension and terms for the CEO

The retirement age for the company's CEO is 65. Pension expenses comprise defined-contribution pensions, for which the premium is equal to 35 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 not pensionable.

The CEO is entitled to 30 days of holiday and, in addition to the taxable benefits described above, also to health insurance and a company car. If the CEO chooses to refrain from a company car then monthly compensation is paid corresponding to the taxable benefit value.

See Note 7 concerning remuneration of the Board and senior executives.

Remuneration of the Board of Directors

Remuneration to the Chairman and other members of the Board is paid according to the decision of the AGM. No remuneration is paid to the Board beyond that approved by the AGM. Directors' fees paid during the fiscal year totalled SEK 2.5 million.

Remuneration of auditors

For the fiscal year, remuneration of auditors has been paid in accordance with Note 6.

INTERNAL CONTROLS FOR 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 (ARL),
- 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 significant errors in the financial accounts. The valuation of assets, liabilities, revenue and

costs or deviations from disclosure requirements are some examples.

Nobina applies the same type of risk assessment for all processes. This is based on COSO, which is an internationally accepted framework for internal control over financial reporting. 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 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 policies when preparing the year-end accounts and financial reports for all Group companies. Established routines govern the review and analysis of the financial statements at all levels in the Group, which is important in order to ensure the accuracy of the statements. Governance is carried out by way of established policies and instructions that have been drafted using Group-wide process teams.

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

Information and communication

The communication plan ensures that information, both written and oral, 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 48–49. Following the presentation, a decision is taken on implementation within each of the relevant operations. Written communication is primarily made available via the intranets that reach 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 ensure that application and follow-up are carried out in key areas of operations. The principle applied at the company is that every process should have control functions that support follow-up activities. Internal audits are a supplementary instrument for ensuring that operations are conducted in line with approved decisions.

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

Auditor's report on the Corporate Governance Statement

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

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the corporate governance statement for the financial year 2017-03-01–2018-02-28 on pages 37–46 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been 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.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph

points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm April 26th, 2018
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

DETAILED SUSTAINABILITY REPORT

Sustainability governance

Nobina's operations are organised via subsidiaries in Sweden, Norway, Finland and Denmark, 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 the Group's values. The traffic area is led by a traffic manager to whom the team leaders report. A KAMS manager (responsible for Quality, Work Environment, Environment and Safety) 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 37–46.

REGULATIONS THAT GOVERN NOBINA'S SUSTAINABILITY AGENDA

Nobina's sustainability agenda is based on external guidelines, legislation and certifications as well as internal values and guidelines.

External regulations

- 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 Initiative Standards.

Internal regulations

- Nobina's values
- Anti-corruption instructions
- Specifications for suppliers including the Code of Conduct.

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 issues are identified and converted into methods that the entire Group can benefit from. 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 targets. Subsidiaries and their traffic areas then incorporate the goals into their own local business plans, using them to provide guidance for the operations. 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 communicated 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.

Nobina's employees are free to report any irregularities through an employee ombudsman (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, 22 MOM cases were reported.

INTEGRATED APPROACH TOWARDS SUSTAINABILITY ISSUES

The Group takes an integrated approach to quality, work environment, the environment and safety (KAMS). There is a Nordic KAMS forum that is made up of the subsidiaries' quality, environmental and safety managers. These meet 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 sustainability audits. Each year, Nobina holds a theme day 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 sustainability auditors who then communicate

ABOUT THE SUSTAINABILITY REPORT

For the sixth consecutive year, Nobina is reporting its sustainability efforts in accordance with the international reporting standard, Global Reporting Initiative (GRI). This report has been prepared in accordance with GRI Standards: Core option and has not been externally assured. The reporting cycle is one year and follows the fiscal year. The current sustainability report is for the 2017/2018 fiscal year. The latest sustain-

ability report was published on 9 May 2017. 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 Anna Jonasson, Director of HR at anna.jonasson@nobina.se

good examples throughout the organisation. A preventative working procedure, due to the KAMS method, helps minimise major risks in operations, including air emissions and environmental performance at depots. In recent years, the local establishment of the sustainability agenda has been strengthened in Sweden through the recruitment of KAMS managers in all traffic areas.

SUPPLIER ASSESSMENT

Nobina's operations include major purchases, primarily of products but also of services. The Group is active, both within its own organisation and in monitoring suppliers and partners, in ensuring that the products and services purchased are produced under sustainable and responsible conditions. The risk of human rights violations is relatively small, but is greatest in the supplier chain. To minimise risk, suppliers must sign Nobina's Code of Conduct, which is based on the UN's Global Compact and is where Nobina stipulates requirements for suppliers that include the support of for example human rights principles.

CERTIFIED QUALITY AND ENVIRONMENTAL WORK

Nobina takes responsibility for quality and environmental work, applies a precautionary approach and strives for continuous improvement. To manage efforts and to strengthen the Group's competitiveness, large sections of our operations, including the head office,

are certified in accordance with the ISO 9001 quality management certificate and the ISO 14001 environmental certificate.

In 2017/2018, all units certified in accordance with ISO 9001 and ISO 14001 were certified in line with the new standards released in 2015. However, this did not entail any changes to Nobina's processes as the Group's procedures already fulfilled the new, stricter requirements.

In 2015, the traffic area Skaraborg was certified in line with the ISO 39001 road traffic safety standard and traffic area Värmland received the same certification in 2017. Nobina is monitoring the development of ISO 39001 and more traffic areas may receive the certificate in the future.

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

	2017/2018	2016/2017	2015/2016
Sweden ¹⁾²⁾	10 of 17	9 of 17	9 of 17
Denmark	4 of 5	4 of 4	4 of 4
Norway ¹⁾	6 of 7	6 of 6	6 of 6
Finland ¹⁾	3 of 3	3 of 3	3 of 3
Total	23 of 32	22 of 30	22 of 30

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

2) Two traffic areas in Sweden are also certified in accordance with the ISO 39001 standard.

Stakeholder dialogues and material sustainability topics

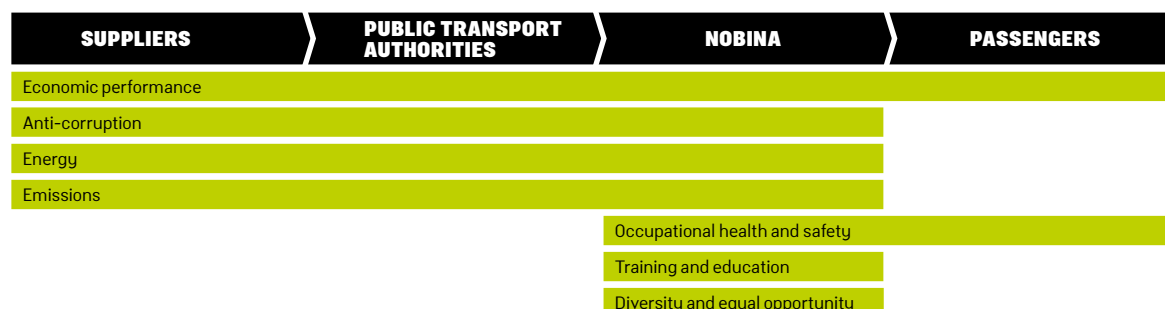
Nobina strives to maintain a continuous and close dialogue with stakeholders to both respond to stakeholders and to understand their needs. This makes it easier for the Group to manage the expectations and requirements related to how we run our operations. An overview of the dialogue with Nobina's identified key stakeholders and examples of issues addressed during the 2017/2018 fiscal year can be found on the next page.

Nobina is a member and participates in a number of organisations to drive prioritised issues. It is important that the trade associations where the Group is active contribute in the long term to a sustainable society and a healthier industry. In Sweden, Nobina is a member of the Swedish Bus and Coach Federation, Samtrafiken AB, the Tender Committee of the Swedish Association of Local Authorities and Regions, and the Confederation of Swedish Enterprise. In Norway, Nobina is a member of NHO Transport and in Denmark of the Confederation of Danish Industry, Danske Busvognmænd and Dansk Kollektiv Trafik. In Finland, Nobina is a member of the Finnish Bus and Coach Association (Linja-autoliitto ry, LAL) and Autoliikenteen Työnantajaliitto ry (ALT), the Employers' Federation of Road Transport.

MATERIAL SUSTAINABILITY TOPICS

The results of the stakeholder dialogues, together with the Group's business model and strategy, form core elements in the materiality analysis Nobina conducts to define the Group's material sustainability topics. The most recent detailed materiality analysis was conducted among senior executives and managers at Nobina in 2016/2017. Nobina's ambition is that sustainability work and reporting fulfil the requirements of stakeholders and reflect the Group's sustainability impact. In view of this, Nobina has chosen to supplement the Group's material sustainability topics this year with anti-corruption, diversity and equal opportunity.

The sustainability topics thereby reflect Nobina's most significant economic, environmental and social impact. The impact of the material sustainability topics in the value chain is presented in the model below.



Stakeholder dialogues 2017/2018

Stakeholder	Dialogue forums	Significant issues for stakeholder	How Nobina works
Clients	<ul style="list-style-type: none"> • Industry associations • Business development managers in meetings with clients • Public transport authority survey • Daily operations 	<ul style="list-style-type: none"> • Cooperation with unions • Favourable employment terms • Transparency and values • Membership of trade associations • Good leadership • Anti-corruption • Emission levels • Certifications • Requirements on the type of fuel • Noise level requirements • Environmental requirements on chemicals 	<ul style="list-style-type: none"> • Joint projects with clients on such items as new types of vehicles, environmental adaptations and customisations
Passengers	<ul style="list-style-type: none"> • Passenger surveys • Focus groups • Social media • Customer viewpoints 	<ul style="list-style-type: none"> • Punctuality • Value for money • Treatment • Simplicity • Way of driving 	<ul style="list-style-type: none"> • Conduct and analyse customer surveys • Feedback on customer viewpoints
Owners	<ul style="list-style-type: none"> • Board meetings • AGM • Capital Markets Day • Transparent quarterly reporting • Quarterly investor calls • Annual and sustainability reports • Nobina's website 	<ul style="list-style-type: none"> • Profitability • Resource efficiency • Market development 	<ul style="list-style-type: none"> • Action plan and reports
Politicians	<ul style="list-style-type: none"> • Industry associations • Meetings with politicians 	<ul style="list-style-type: none"> • Regional growth • Infrastructure in society • Resource-efficient transportation • Societal benefits from public transport • Contract design 	<ul style="list-style-type: none"> • Active engagement in industry conditions, traffic conditions and societal structure
Suppliers	<ul style="list-style-type: none"> • Tender processes • Follow-ups 	<ul style="list-style-type: none"> • Environmental requirements 	<ul style="list-style-type: none"> • Make demands, evaluate and follow up
Employees	<ul style="list-style-type: none"> • Performance appraisals • Employee surveys • Improvement groups • Training • Intranet • Nobina's website • Social media 	<ul style="list-style-type: none"> • Safe workplace • Ability to influence work conditions • Well-being • Sick leave • Diversity and equal opportunity 	<ul style="list-style-type: none"> • The European Work Council¹⁾ establishes business plans and important changes in operations • Employee responsibility for own goals, assessment and activities • Regular individual feedback on performance • Leadership development
Media	<ul style="list-style-type: none"> • Press releases • Interviews • Nobina's website • Social media 	<ul style="list-style-type: none"> • Correct facts/statements • Punctuality and regularity • Knowledge creation within public transport 	<ul style="list-style-type: none"> • Increase awareness of Nobina and the industry among journalists • Communication platform

1) 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 48.

Nobina's material sustainability topics

ECONOMIC PERFORMANCE

Nobina's operations contribute to value creation for both Nobina and our 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	2017/2018	2016/2017	2015/2016
Revenue – net sales	9,094	8,858	8,317
Other revenue ¹⁾	64	161	38
Total value generated	9,158	9,019	8,355
Operating expenses	-2,854	-2,999	-2,703
Salaries and remuneration to employees including employer's contributions	-4,919	-4,656	-4,561
Payments to financiers, banks	-824	-784	-1,358
Dividend to shareholders	-274	-230	802
Payments to the public sector – excise duty	-338	-333	-367
Total value distributed²⁾	-9,209	-9,002	-8,179
Retained economic value	-52	17	176

1) Includes disposal of non-current assets (buses) and received interest income.

2) Includes payment of taxes and social security contributions of SEK 1,157 million for the 2017/2018 fiscal year, SEK 1,168 million for the 2016/2017 fiscal year and SEK 1,197 million for the 2015/2016 fiscal year.

ANTI-CORRUPTION

Management approach

Business ethics and anti-corruption are important issues for Nobina. The Group's anti-corruption instructions provide guidance in efforts to create conditions for secure and transparent transactions with clients, suppliers and other partners. The instructions were drawn up by the Group's CEO and management team. All employees in relevant functions, such as business developers and purchasers, are informed of the instructions when they are employed. As a complement to daily work with governance and corporate culture, every third year Nobina conducts internal process audits of the Group's staff.

Nobina is of the opinion that there is limited risk of corruption situations in the Group, though this is greatest in situations concerning purchasing and tendering. All suppliers engaged by Nobina are subjected to competition in the tender processes to ensure that Nobina selects the supplier that best meets Nobina's demands in terms of quality, sustainability, delivery reliability and price.

Contact between clients and operators is very limited when tendering for new traffic contracts. The tendering process must always be transparent and promote equal opportunity. However, Nobina has noted that in recent years it has become more common that

clients invite operators for consultation prior to advertising new traffic contracts. This has created a new arena where influence may be exerted, before the tender has started.

Outcome 2017/2018

No cases of corruption were reported or identified in internal audits during the year.

FUEL CONSUMPTION AND EMISSIONS

Management approach

Nobina's most significant sustainability topics in the field of the environment relate to the Group's fuel consumption and the resulting air emissions. Nobina's vehicle fleet encompasses 3,600 buses, of which some 66 per cent run on renewable fuel.

Our daily work is strongly characterised by the Green Journey (see pages 20–21), which aims to reduce environmental impact down to the level of the individual. Progress is reported every month, from team leader level to Group level. The director of HR is responsible for environmental governance and development in the area and reports on this to the CEO. The ultimate responsibility for Nobina's environmental impact is with the Board of Directors and CEO. For risk management related to fuel consumption and emissions, see page 63.

Outcome 2017/2018

In recent years, the consumption of fossil fuels has decreased in favour of renewable fuels. During 2017, the consumption of diesel, natural gas, RME and ethanol decreased while consumption of HVO and electricity increased. Read more on pages 20–21.

Fuel consumption, total¹⁾

	2017/2018	Change, %	2016/2017	2015/2016
Non-renewable fuel				
Diesel, litres	29,488,726	-15	34,822,359	51,477,300
Natural gas, nm ³	5,746,430	-20	7,194,202	8,175,745
Renewable fuel				
RME, litres	16,004,722	-43	27,907,805	25,746,491
HVO, litres	32,742,057	59	20,541,290	–
Biogas ²⁾ , nm ³	19,939,039	20	16,657,414	20,333,119
Ethanol, litres	89,153	-89	778,618	2,633,418
Electricity, kWh ³⁾	245,723	240	72,260	–

1) Data pertaining to fuel consumption was collated through Nobina's OMS production system.

2) Norway does not have a complete report of biogas consumption for 2016/2017.

3) Electricity from renewable sources.

Emissions¹⁾, in relation to km driven

	2017/2018	Change, %	2016/2017	2015/2016
Fossil carbon dioxide (CO ₂), g/km	0.45	-11	0.51	0.71
Nitrogen oxides (NO _x), g/km	1.99	-8	2.17	2.52
Hydrocarbons (HC), g/km	0.15	7	0.14	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. Nobina does not offset greenhouse gas emissions.

SECURE AND ATTRACTIVE WORKPLACE

Management approach

Nobina offers employees training and performance appraisals as part of goal-oriented efforts to improve the work environment and to create an attractive and secure workplace. Read more on pages 24–25.

The risks associated with the traffic-intensive environment in which Nobina operates have been identified and processes established to reduce and eliminate the effects these risks may cause, both with respect to a safe traffic environment and also a safe workplace.

Operational responsibility, follow-up and evaluation of the work environment and safety is conducted by the local KAMS organisation and continually followed-up by KAMS councils at traffic area level. Irregularities are also reported at company and Group level each month in the KAMS council for management.

Overall responsibility for diversity, equal opportunity and training 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 for Nobina as a workplace.

EMPLOYEES

The public transport industry is fluid and labour-intensive. Therefore, it is important to both motivate our employees and to attract new talent. Nobina is highly dependent on access to drivers and may be negatively impacted in the event of driver shortages. This is why Nobina is working to strengthen respect for the driving profession and to ensure the availability of drivers in society as retirements increase.

Including consultants, Nobina has 11,473 employees and all employees, except for consultants, are covered by collective bargaining agreements. During the summer season, Nobina employs fixed-term personnel to cover staffing needs during the holiday period, though the Group endeavours to offer more employees permanent contracts. This offers greater security to both the employee and to Nobina. In certain cases, Nobina may use subcontractors, though this is not a substantial part of operations. For risk management related to employees, see page 63 and 65.

Employees by type of employment and gender, %

2017/2018	Men	Women	Total
Permanent employees	7,724	1,128	8,852
Fixed-term employees	2,287	334	2,621

Employees by type of employment and region, %

2017/2018	Sweden	Norway	Denmark	Finland	Total
Permanent employees	6,235	921	495	1,211	8,862
Fixed-term employees	2,003	395	125	88	2,611

Employees by percentage of full-time employment¹⁾ and gender

2017/2018	Men	Women	Total
Full-time employees	6,984	945	7,929
Part-time employees	740	193	933

1) Pertaining to permanent employees.

HEALTH AND SAFETY

Nobina drives about one million passengers to their destinations every day. The journey must be safe for both the driver and passengers and safety is therefore a central part of sustainability work.

Outcome 2017/2018

Threats and violence have increased considerably in all countries during the year. This is partly due to greater focus on this area, which has resulted in increased accuracy in reporting. Rising tension in society at large has also influenced the situation.

Vehicle damage and serious incidents

	2017/2018	2016/2017	2015/2016
Number of vehicle damage incidents, Group	14,411	12,084	10,733
of which Sweden	10,434	8,640	7,541
Total cost of damages, Group, SEK million	110.6	111.0	103.7
of which Sweden	70.6	66.5	66.8
Serious incidents ¹⁾	497	222	236
of which			
Fire	33	33	51
Threats & violence	240	65	99
Robbery	0	3	0
Environment	25	13	17
Traffic accidents	199	108	69

1) Serious incidents, vehicle damage and the cost of damages are continually followed-up in an internal reporting system.

Workplace injuries, by region

2017/2018	Incident ¹⁾	Fatal accidents
Sweden	37	-
Norway	21	-
Denmark	1	-
Finland	78	-
Total, Group	137	-

1) Finland began reporting workplace injuries in 2017. Other companies have also begun reporting but not fully throughout the year.

DIVERSITY AND EQUAL OPPORTUNITY

Nobina actively works 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.

Outcome 2017/2018

At Group level, gender distribution was unchanged in 2017/2018 compared with the preceding fiscal year. The proportion of women on the Board increased. This was also the case for the management team, though only marginally compared with the preceding year.

Gender distribution by function, employees

Share, %	2017/2018		2016/2017	
	Men	Women	Men	Women
Bus drivers and driver administration	88	12	87	13
Mechanics (workshop)	89	11	89	11
Company management, sales, marketing, HR and other	58	42	59	41
Traffic planning	75	25	73	27
Total, Group	87	13	87	13

Age distribution by function, employees

Share, %	2017/2018		
	<30 years	30–50 years	>50 years
Bus drivers and driver administration	6	45	48
Mechanics (workshop)	24	46	31
Company management, sales, marketing, HR and other	8	67	25
Traffic planning	9	54	38
Total, Group	8	46	46

Gender distribution, Board and management team

Share, %	2017/2018		2016/2017	
	Men	Women	Men	Women
Board of Directors	66	34	83	17
Management team	70	30	73	27

Age distribution, Board and management team

Share, %	2017/2018			2016/2017		
	<30 years	30–50 years	>50 years	<30 years	30–50 years	>50 years
Board of Directors	–	–	100	–	–	100
Management team	–	44	56	–	45	55

EDUCATION

Nobina works proactively to develop its employees, for instance through its own training function, the Nobina Academy. This arranges joint training sessions for drivers and managers. See page 24.

Outcome 2017/2018

Nobina's employees have on average attended 33.19 (32.25) hours of skills development per employee. We conducted 6,545 (7,052) performance appraisals during the year.

Auditor's report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2017-03-01–2018-02-28 on the pages referenced to on page 64 of the administration report and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 26th April, 2018
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant

GRI content index

GRI Standard	Disclosure name	Page reference	Omissions
GRI 101: FOUNDATION 2016			
GRI 102: GENERAL DISCLOSURES 2016			
Organisational profile			
102-1	Name of the organisation	57	
102-2	Activities, brands, products, and services	10–11	
102-3	Location of headquarters	76	
102-4	Location of operations	6–7	
102-5	Ownership and legal form	64	
102-6	Markets served	6–7	
102-7	Scale of the organisation	10–11, 57, 67–69	
102-8	Information on employees and other workers	52	
102-9	Supply chain	49	
102-10	Significant changes to the organisation and its supply chain	–	
102-11	Precautionary Principle or approach	49	
102-12	External initiatives	48	
102-13	Memberships of associations	49	
Strategy			
102-14	Statement from senior decision-maker	4–5	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	2, 48	
Governance			
102-18	Governance structure	37–46, 48	
Stakeholder Dialogue			
102-40	List of stakeholder groups	50	
102-41	Collective bargaining agreements	52	
102-42	Identifying and selecting stakeholders	49	
102-43	Approach to stakeholder engagement	49–50	
102-44	Key topics and concerns raised	50	
Reporting Practice			
102-45	Entities included in the consolidated financial statements	48, 93	
102-46	Defining report content and topic Boundaries	49	
102-47	List of material topics	49	
102-48	Restatements of information	–	
102-49	Changes in reporting	49	
102-50	Reporting period	48	
102-51	Date of most recent report	48	
102-52	Reporting cycle	48	
102-53	Contact points for questions regarding the report	48	
102-54	Claims of reporting in accordance with the GRI Standards	48	
102-55	GRI content index	54–55	
102-56	External assurance	48	

Material topics

GRI Standard	Disclosure name	Page reference	Omissions
ECONOMIC STANDARDS			
Economic Performance			
GRI 103: Management Approach 2016			
103-1-3	Explanation of the material topic, its boundary and management approach	10-11, 49	
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	11, 51	
Anti-corruption			
GRI 103: Management Approach 2016			
103-1-3	Explanation of the material topic, its boundary and management approach	45-46, 49, 51	
GRI 205: Anti-corruption 2016			
205-3	Confirmed incidents of corruption and actions taken	51	
ENVIRONMENTAL STANDARDS			
Energy			
GRI 103: Management Approach 2016			
103-1-3	Explanation of the material topic, its boundary and management approach	20-21, 49, 51-52	
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	51	Nobina reports fuel consumption as fuel is the type of energy with the greatest impact on Nobina's energy consumption.
302-4	Reduction of energy consumption	51	
Effluents and Waste			
GRI 103: Management Approach 2016			
103-1-3	Explanation of the material topic, its boundary and management approach	20-21, 49, 51-52	
GRI 305: Emissions 2016			
305-4	GHG emissions intensity	52	Nobina only reports emissions from fuel combustion. Emissions are reported per kilometre in line with industry practice.
305-5	Reduction of GHG emissions	52	
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	52	
SOCIAL STANDARDS			
Occupational Health and Safety			
GRI 103: Management Approach 2016			
103-1-3	Explanation of the material topic, its boundary and management approach	20, 25, 48-49, 52	
GRI 403: Occupational Health and Safety 2016			
403-1	Workers representation in formal joint management-worker health and safety committees	24, 48-49	Partially reported due to limitations in data collection. ¹⁾
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	52	
Training and Education			
GRI 103: Management Approach 2016			
103-1-3	Explanation of the material topic, its boundary and management approach	24, 49, 53	
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	53	Partially reported due to limitations in data collection. ¹⁾
404-2	Percentage of employees receiving regular performance and career development reviews	53	
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016			
103-1-3	Explanation of the material topic, its boundary and management approach	24-25, 49, 53	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	53	

1) Nobina has initiated work to develop system support to increase the level of detail in reporting sustainability data.

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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 fiscal year 1 March 2017 through 28 February 2018.

All items are expressed in SEK million unless otherwise stated. The fiscal year covered by this annual report ended on 28 February 2018 and is referred to as 2017/2018. 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 interregional, express bus services under our own brand, primarily in Sweden. Nobina is a Group comprised of wholly owned subsidiaries. In Sweden, operations are conducted through the subsidiaries: Nobina Sverige AB and Swebus Express AB, and in the other Nordic countries, through the subsidiaries: Nobina Norge AS, Nobina Finland Oy AB and Nobina 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. During the year, Nobina conducted 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 operat-

ing companies. Nobina Fleet Danmark nr 2 ApS and Nobina Fleet Danmark nr 3 ApS were merged into Nobina Fleet Danmark nr 5 ApS during the year. 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.

SEK million	2017/ 2018	2016/ 2017	2015/2016 before IPO costs	2015/2016 after IPO costs	2014/ 2015	2013/ 2014
Net sales	9,094	8,858	8,317	8,317	7,549	7,269
EBITDA	1,162	1,161	1,083	879	922	832
Earnings before tax (EBT)	355	355	299	2	141	87
EBT margin (%)	4.0	4.0	3.6	0.0	1.9	1.2
Net debt	3,629	3,753	4,572	4,022	3,867	3,611
Net debt/ EBITDA	3.1	3.2	3.7	4.6	4.2	4.3

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 16 per cent of tendered traffic (17 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 319 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 no longer to allocate traffic assignments

Market share based on number of buses exposed to competition

Number of buses	Nobina	Keolis	Nettbuss	Arriva	Transdev	Tide	Others	Total	Share tendered (%)
Sweden	2,137	1,351	540	722	645	0	2,757	7,776	95
Norway	417	0	1,716	0	0	901	3,105	5,946	97
Finland	408	0	0	0	91	0	2,492	2,056	69
Denmark	173	410	0	820	0	350	1,575	3,278	98
Total regional traffic	3,135	1,761	2,256	1,542	736	1,251	9,929	19,056	92

Market share based on number of buses exposed to competition

Buses, %	Nobina	Nettbuss	Arriva	Keolis	Tide	Transdev	Others
Sweden	27	7	9	17	0	8	35
Finland	20	0	0	0	0	4	121
Norway	7	29	0	0	15	0	52
Denmark	5	0	25	13	11	0	48
Nordics	16	12	8	9	7	4	52

through concessions but rather through announced tenders. This trend is in line with the applicable EU regulations and will eventually mean that more contracts will be subject to competition via tendering after 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 fiscal year, Nobina started transport services comprising 53 buses under new contracts. During the fiscal year, contracts were concluded for 98 buses. This led to increased operations in Sweden and Finland, unchanged operations in Denmark and reduced operations in Norway. Nobina participated in tender processes for 737 buses during the fiscal year, of which contracts were won for a total of 78 buses (10.6 per cent). Tender outcomes and the start-up and completion of traffic assignments by country is presented in the summary below.

Traffic starting in the March 2018–February 2019 period

Nobina will start traffic involving 53 buses, all of which new, in the next 12 months. In general, the tender outcomes during the fiscal year have no or limited impact on the scope of operations or on earnings since new contracts often start nine months or later after allocation. Traffic start-ups by country is presented in the summary below.

Traffic to be concluded in the March 2018–February 2019 period

Nobina will conclude traffic involving 98 buses 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 in most contracts through mutual agreement between clients and the operator. Following any optional extension, the traffic assignment comes to a definitive end. Traffic contracts concluded by country are presented in the summary below.

Tenders and traffic changes by country

Number of buses	Tenders during the period			Traffic changes during the period	
	Submitted	Won	Not won	Started	Ended
Sweden	138	16	122	103	79
Norway	370	0	370	21	45
Finland	98	41	57	27	16
Denmark	131	21	110	0	0
Total traffic	737	78	659	151	140

Traffic starts by country in the next 12 months

	Clients	No. of years	Start of service	Number of buses	No. of new buses
Finland	HSL	7	August 2018	28	28
Sweden	Västtrafik	10	December 2018	13	13
	Skånetrafiken	2.5	December 2018	12	12
Total traffic				53	53

Traffic concluded by country in the next 12 months

	Clients	End of service	Number of buses
Finland	HSL	August 2018	11
Norway	Skyss	August 2018	72
Finland	HSL	December 2018	15
Total traffic			98

FISCAL YEAR

In the 2017/2018 fiscal year, operations continued to demonstrate a positive trend:

- Record-high net sales were posted due to growth of 2.7 per cent
- Operating profit amounted to SEK 490 million (494), a decrease of SEK 4 million or 0.8 per cent. Operating profit for the year included nonrecurring expenses for the restructuring of operations of SEK 23 million and a nonrecurring expense of SEK 10 million for changes to the depreciation period for express buses from ten to eight years.
- Profit before tax amounted to SEK 355 million (355), or unchanged compared with the preceding year. Profit before tax for the year included nonrecurring expenses for the restructuring of operations of SEK 23 million and a nonrecurring expense of SEK 10 million for changes to the depreciation period for express buses from ten to eight years.
- Cash flow for the year amounted to SEK -94 million (114). The SEK 208 million decrease includes reduced cash flow from operations of SEK -60 million and change in working capital of SEK -46 million. Under investing activities, cash investments decreased by SEK 114 million and the disposal of non-current assets decreased by SEK 98 million, yielding a net effect of SEK +16 million compared with the preceding year. The preceding year was also impacted by the release of funds held in restricted bank accounts in the amount of SEK 24 million. Cash flow from financing activities was impacted by the dividend of SEK -274 million (-230).
- Investments, which primarily pertained to the procurement of buses, totalled SEK 716 million (844).

SIGNIFICANT EVENTS DURING THE YEAR

- Nobina's contracts with Västtrafik for Green Express and route 24 were extended by two years until 2021. The contracts comprise about 50 buses.
- Magnus Rosén, the new CEO, took over on 1 June.
- The 2016/2017 Annual General Meeting was held on 31 May in Stockholm. The Meeting approved the Board's motion for a dividend of SEK 3.10 per share, with payment on 8 June, and the motion was approved to introduce a performance-based share savings program for 22 key employees at Nobina. Monica Lingegård and Liselott Kilaas were elected as new Board members.
- A dividend was paid of SEK 3.10 per share on 8 June 2017.
- New SEK 320 million traffic contract secured in Kungsbacka with Västtrafik comprising 13 scheduled buses. The contract starts in June 2018 and extends over ten years.
- Extension of contract with Skånetrafiken in Malmö and investment in electric buses. The extension runs until 2021 and comprises a total of 83 scheduled buses, of which 13 are new electric buses.
- Collaboration with SL to develop city transport in Norrtälje Municipality together with an investment in electric buses. The contract extends until 2021 and five electric buses will enter traffic in August 2018.
- Troms Fylkestrafikk and Nobina Norway agreed to exercise half of the extension option. The existing contract, which encompasses 127 scheduled buses, will end on 31 July 2019.

- Swebus restructured following a strategic review of interregional operations. As a result, Swebus was integrated into Nobina Sweden and management changes were implemented.
- A partnership was initiated with Telia aimed at analysing the needs of passengers in public transport.
- In the third quarter, Nobina AB (publ) announced the repurchase of own shares in connection with the share savings programme for senior executives, as resolved by the Annual General Meeting.
- Nobina Technology chosen to lead a major new pilot project with autonomous buses in Greater Copenhagen. The pilot project will run for three years and involve four buses.
- Profit includes nonrecurring items of SEK 33 million related to staff redundancy costs of SEK 23 million, including the restructuring of Swebus and SEK 10 million for shorter depreciation periods for express buses.
- Two new traffic contracts in Helsinki with HRT/HSL consisting of a total of 42 buses with a value of SEK 570 million over the contract periods of seven years and one year, respectively.
- In conjunction with the award of the contract, Nobina Finland also received an environmental premium of about SEK 5 million for its transition to biodiesel.
- In January 2018, Nobina became the first bus company in the Nordic region with its own autonomous buses on public roads in connection with a cooperation project in Kista with Ericsson, SJ, KTH and the City of Stockholm among others.
- New traffic contract with MOVIA in Roskilde with 21 scheduled buses and a value of approximately DKK 300 million, and traffic scheduled to start in April 2019.

SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

- New initiative together with Ruter in Oslo with 20 electric buses starting in 2019.
- Nobina discontinued its credit rating agreement with Standard and Poor's. When it was discontinued, Nobina's credit rating was BB with a positive outlook.
- Extension of two contracts in Oslo until 2022 encompassing 92 buses.
- The Board of Directors has proposed a dividend of SEK 3.35 (3.10) per share for payment in June 2018, which is an 8 per cent increase compared with the preceding year.
- New contract with Ruter in the Oslo region for 141 buses, including 22 electric buses, with traffic start planned for July 2019 and a total value of NOK 2.7 billion over the contract period of eight years with the option to extend by three years.

REVENUE AND PROFIT FOR THE NOBINA GROUP

Revenue increased by SEK 236 million, or 2.7 per cent, from SEK 8,858 million for 2016/2017, to SEK 9,094 million for 2017/2018, driven by growth in regional traffic.

Operating profit declined by SEK 4 million, or 0.8 per cent, from SEK 494 million in 2016/2017 to SEK 490 million in 2017/2018. Operating profit, adjusted for nonrecurring expenses affecting comparability of SEK 33 million during the year, increased by SEK 29 million, or 5.9 per cent, from SEK 494 million in 2016/2017 to SEK 523 million in 2017/2018. Swedish contract operations accounted for most of the improvement in operating profit, contributing SEK 54 million, while profitability in the Swedish express bus operations decreased by SEK 39 million.

Fuel, tyres and other consumables

Costs for fuel, tyres and other consumables increased by SEK 14 million, or 1.0 per cent, from SEK 1,637 million in 2016/2017 to SEK 1,651 million in 2017/2018. The increase in costs primarily reflects changes in traffic production but is also in part a result of Nobina's focus on fuel efficient driving.

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 decreased by SEK 42 million, or 2.9 per cent, from SEK 1,404 million in 2016/2017 to SEK 1,362 million in 2017/2018. The cost decrease consists primarily of reduced costs for operating leases by SEK 13 million and otherwise mainly of reduced costs for subcontractors.

Personnel costs

Personnel costs increased by SEK 263 million, or 5.6 per cent, from SEK 4,656 million for 2016/2017 to SEK 4,919 million for the 2017/2018 fiscal year. This was mainly due to increased salaries and payroll overheads driven by rising contractual salary increases but also includes the effects of changes in traffic production.

Development expenses

Nobina does not conduct research operations but does conduct development operations within public transport, for instance, within Nobina Technology, which amounted to a cost of SEK 43 million in 2017/2018, compared with SEK 35 million in 2016/2017.

Capital losses from the disposal of non-current assets

During the year, Nobina divested 244 buses (596) valued at SEK 62 million (160). The divestment resulted in a capital loss of SEK –7 million (–14).

Depreciation/amortisation and impairment

Depreciation/amortisation and impairment increased by SEK 12 million, or 1.8 per cent, from SEK 653 million in the 2015/2016 fiscal year, to SEK 665 million in the 2016/2017 fiscal year. Depreciation/amortisation and impairment mainly comprise a value decline of buses but also include a value decline of 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 the purchase of new vehicles linked to the start-up of new contracts and reinvesting in existing contracts partly during the year.

Profit from net financial items

Interest income and similar profit/loss items decreased SEK 1 million, or 100.0 per cent, from SEK 1 million in 2016/2017, to SEK 0 million in 2017/2018.

Interest expense and similar profit/loss items decreased SEK 5 million, or 3.6 per cent, from SEK 140 million in 2016/2017, to SEK 135 million in 2017/2018. Interest on leases decreased SEK 10 million due to improved financing terms and lower market rates. Nobina's realised and unrealised exchange rate gains and losses amounted to SEK 3 million (2).

Income tax

Nobina's income tax comprises the change in estimated deferred tax and amounted to SEK –77 million in 2017/2018, compared with SEK 163 million in 2016/2017. 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 –6 million (0), and the change of assessed deferred tax assets and deferred tax liabilities, impacted profit for the fiscal year by SEK –71 million (163). The effective rate of tax was –21.7 per cent (45.9).

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 2016–28 February 2017	8,858	494	355
Price and Volume	+128	+37	+37
Contract migration	–72	+17	+17
Indexation and efficiency (net)	+180	+7	+7
Other	–	–32	–32
Items affecting comparability	–	–33	–33
Net financial items	–	–	4
Period from 1 March 2017–28 February 2018	9,094	490	355

Price and volume, in current contracts, positive impacts were made on sales in an amount of SEK 128 million, and on EBIT and EBT of SEK 37 million. These were primarily driven by changes in contracts and rail replacement bus services in Sweden and Finland.

Contract migration negatively impacted net sales in an amount of SEK –72 million as the new contracts started during the year have lower volumes than the old contracts. Operating profit before tax was positively impacted by SEK 17 million, due to an increase in the average age of the traffic contract portfolio from 3.7 to 4.3 years. In Sweden, Norway and Finland, contract migration comprising the start and conclusion of contracts was carried out during the year.

Indexation and efficiency covers the net of cost indexation and efficiency of personnel resources, traffic planning, maintenance, damage minimisation and fuel consumption, and posted a positive trend of SEK +7 million. This was primarily driven by cost savings in terms of fuel consumption and vehicle care, which compensated for increased costs for sick leave and vehicle maintenance.

Other resulted in an increase in costs of SEK –32 million in charges to EBIT and EBT, and includes development and IT-related costs.

Items affecting comparability consists of SEK 33 million in the current year and includes restructuring costs of SEK 23 million, primarily related to the integration of Swebus's operations into Nobina Sweden, and SEK 10 million for shorter depreciation periods for express buses from ten to eight years.

Net financial items improved by SEK 4 million, profit for the year was positively influenced by lower interest rates for bus financing.

ANALYSIS OF NET SALES AND EBIT BY OPERATING SEGMENT

Nobina Sweden

Nobina is the largest operator in Sweden, with a market share of around 27 per cent, measured in the number of tendered buses, and participated in six tender processes for Swedish regional traffic and won two of them. At present, Nobina has a presence in more than a hundred towns and cities 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 178 million, or 2.9 per cent, from SEK 6,058 million in 2016/2017, to SEK 6,236 million in 2017/2018. 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 had a positive impact on the sales trend in parallel with the relatively large amount of extra traffic operated for rail replacement bus services.

Operating profit for regional traffic in Sweden increased by SEK 54 million, or 13.1 per cent, from SEK 412 million in 2016/2017 to SEK 466 million in 2017/2018. Operating profit was charged with significant negative effects from contract portfolio migration related to the conclusion of two major contracts and the start of two new contracts that negatively impacted the two first quarters compared with the preceding year. The index trend remained positive.

Significant events during the year in Sweden

- Participated in six tender processes, winning two of these.
- Successful start-ups of two new contracts with Västtrafik and Skånetrafiken respectively.
- Continued increase in share of incentives in new contracts.
- Nobina's contracts with Västtrafik for Green Express and route 24 extended by two years until 2021. The contracts comprise about 50 buses.
- New SEK 320 million traffic contract was secured in Kungälv with Västtrafik comprising 13 scheduled buses. The contract starts in June 2018 and extends over ten years.
- Extension of contract with Skånetrafiken in Malmö and investment in electric buses. The extension runs until 2021 and comprises a total of 83 scheduled buses, of which 13 are new electric buses.
- Collaboration with SL to develop city transport in Norrtälje Municipality together with an investment in electric buses. The contract extends until 2021 and five electric buses will enter traffic in August 2018.

- Swebus restructured following a strategic review of interregional operations. As a result, Swebus was integrated into Nobina Sweden.
- A partnership was initiated with Telia aimed at analysing the needs of passengers in public transport.
- In January 2018, Nobina became the first bus company in the Nordic region with its own autonomous buses on public roads in connection with a cooperation project in Kista with Ericsson, SJ, KTH and the City of Stockholm among others.

Nobina Denmark

The Danish market for regional traffic is divided into five regions and is continuing to develop 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, which in the Danish agreements reflect the number of passengers, customer satisfaction and punctuality.

Nobina's Danish business has about 5 per cent in market share. The contract for Copenhagen continued to move in a positive direction during the year. A structure for vehicle financing using a special regime offers the option to receive a VAT refund. A vehicle service company was established during the year. Nobina operates a total of six contracts. Traffic trended in a positive direction in 2017/2018.

Revenue from bus services in Denmark increased by SEK 9 million, or 1.6 per cent, from SEK 535 million in 2016/2017 to SEK 544 million in 2017/2018.

Operating profit declined by SEK 3 million from SEK 19 million in 2016/2017 to SEK 16 million in 2017/2018. The main reason was a higher effect of VAT refunds in the preceding year. All contracts in Denmark performed well in comparison to the targets and operational efficiency remains high.

Significant events during the year in Denmark

- Participated in three tender processes, winning one.
- Nobina Technology chosen to lead a major new pilot project with autonomous buses in Greater Copenhagen. The pilot project will run for three years and involve four buses.
- New traffic contract with MOVIA in Roskilde with 21 scheduled buses and a value of approximately DKK 300 million, and traffic scheduled to start in April 2019.

Nobina Norway

The market remains fragmented in Norway and Nobina is the seventh largest operator, with a market share of around 7 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 now accounts for about 97 per cent of the market. The contract terms are being developed in connection with this, moving from production contracts, mainly paid by kilometre, to payments distributed between kilometre, hours and buses. Indexation over six-month periods is predominant in new contracts. Improvements towards more balanced contract terms is a clear trend where incentives are also becoming increasingly com-

mon. The key focus area in Nobina's Norwegian operations is enhancing operational efficiency.

Revenue from regional bus services in Norway increased by SEK 56 million, or 5.8 per cent, from SEK 974 million for the 2016/2017 fiscal year to SEK 1,030 million for the 2017/2018 fiscal year. The increase is attributable to the start of route 25 in Oslo, bus-for-rail services and expanded production in existing contracts.

Operating profit declined from SEK 20 million in 2016/2017 to SEK 1 million in 2017/2018. The earnings trend was the result of the negative effects from the start of route 25 in Oslo and an increase in sickness rates. The Tromsø traffic contract remains a challenge for Nobina Norway.

Significant events during the year in Norway

- Participated in two tender processes.
- Started the new route 25 contract in Oslo.
- Troms Fylkestrafikk and Nobina Norway agreed to exercise half of the extension option. The existing contract, which encompasses 127 scheduled buses, will end on 31 July 2019.
- New initiative together with Ruter in Oslo with 20 electric buses starting in 2019.
- Extension of two contracts in Oslo until 2022 encompassing 92 buses.
- New Managing Director, Jan Volsdal, took over on 1 April.

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. Currently, 69 per cent of the Finnish market is tendered traffic, though there is a trend towards a larger share of announced tenders. This follows binding legislation that states that old concession contracts must be subject to competition from 2019 and that old concessions (see Glossary on page 112) will be phased out. 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 renewable 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 in the Helsinki area. Nobina has a total of 25 traffic contracts ongoing and is one of Finland's largest operators with a market share of about 20 per cent of tendered traffic.

Revenue from regional bus services in Finland increased by SEK 27 million, or 2.6 per cent, from SEK 1,044 million for the 2016/2017 fiscal year to SEK 1,071 million for the 2017/2018 fiscal year. This increase was largely a result of the full-year effect of growth, indexation and bus-for-rail services for the delayed completion of a new metro line in Helsinki.

Operating profit increased by SEK 18 million, or 24.4 per cent, from SEK 73 million in 2016/2017 to SEK 91 million in 2017/2018. Positive effects from bus-for-rail services for the metro and improvements in the operation of existing contracts are behind the earnings improvement.

Significant events during the year in Finland

- Participated in three tender processes in Helsinki, winning one.
- Start-up of two new contracts.
- More operators are now active in the Helsinki area.
- Two new traffic contracts signed in Helsinki with HRT/HSL consisting of a total of 42 buses with a value of SEK 570 million over the contract periods of seven years and one year, respectively.
- In conjunction with the award of the contract, Nobina Finland also received an environmental premium of about SEK 5 million for its transition to biodiesel.

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 37 million, or 13.5 per cent, from SEK 274 million in 2016/2017 to SEK 237 million in 2017/2018. This was driven by fewer passengers and lower ticket prices due to increased competition that was further fuelled by the entry into the Swedish market of the German operator FlixBus.

Operating profit declined by SEK 39 million, from a profit of SEK 3 million in 2016/2017 to loss of SEK 36 million in 2017/2018. The result was negatively impacted by nonrecurring expenses for restructuring of SEK 14 million and by SEK 10 million for shorter depreciation periods for express buses. The result was also negatively impacted by poorer traffic margins driven by fewer passengers and lower ticket prices.

Significant events during the year for Swebus

- Nobina conducted a strategic review of interregional operations.
- Swebus restructured as part of the strategic review of interregional operations.
- Swebus integrated into Nobina Sweden and management changes were implemented.

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 the bus fleet. Net cost (EBIT) declined for these by SEK 15 million, or 45.5 per cent, from SEK -33 million in 2016/2017 to SEK -48 million in 2017/2018. In 2017/2018, net costs (EBIT) for Central functions and other items were charged with cost items affecting comparability of SEK 6 million for staff redundancies and a poorer fleet result of SEK 6 million.

INVESTMENTS

Nobina's investments during the year consisted primarily of bus acquisitions. 245 (224) buses were acquired through finance leases, while 60 (89) buses were financed via cash or credit. In total, Nobina acquired

305 (313) buses during the year. Cash-financed investments during the year amounted to SEK 172 million (226) and loan-financed investments totalled SEK 4 million (64). 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 540 million (554). 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 2017/2018 fiscal year, Nobina has not signed any loan and credit agreements beyond those recognised for financing buses.

Nobina has bank credit facilities of SEK 150 million, of which SEK 0 was utilised as of 28 February 2018.

Over the year, cash and cash equivalents decreased SEK 84 million, from SEK 804 million at 28 February 2017 to SEK 720 million at 28 February 2018. The equity/assets ratio for the Group was 18.4 (17.9) and for the Parent Company 55.0 (59.0) per cent.

The methods and assumptions applied by Nobina when calculating fair value for financial instruments is described in Note 30. 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 2.7 per cent (6.5) 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 fiscal year was 4.3 per cent (4.0), excluding non-recurring expenses.
- 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 3.1 per cent (3.2), excluding IPO costs.

DIVIDEND POLICY

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

FINANCIAL MANAGEMENT

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

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

EMPLOYEES

During the period, the average number of employees was 11,047 (12,495) and the number of employees recalculated as FTEs was 9,629 (8,889). 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 also expressed as requirements in traffic contracts. Renewable 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 checking 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. Nobina conducts notifiable operations in accordance with the Swedish Environmental Code (SFS 1998:808) for depots that operate bus washing facilities and for its own workshops. 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.

STATUTORY SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, Nobina has decided to present the statutory sustainability information and Sustainability Report separate from the official annual accounts. The sustainability information and Sustainability Report encompass all subsidiaries and are presented on pages 10–11, 20–21, 24–25 and 48–53.

SEASONALITY

Nobina's operations are affected by seasonality. For regional traffic, operations run according to timetables that are drawn up by the Public Transport Authority (PTA). 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 fiscal 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 18 months' remuneration. 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 7.

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.

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 18,000 shareholders. The ten largest owners are Invesco, Swedbank Robur Fonder, SEB Fonder, Danske Invest Fonder, JP Morgan Asset Management, Artemis, Deutsche Asset & Wealth Management, Länsförsäkringar Fonder, the Third Swedish National Pension Fund (AP3) and Avanza Pension, and that together represent 33.7 per cent of the votes and capital as of 28 February 2018. For further information, see pages 35–36.

PROVISIONS IN THE ARTICLES OF ASSOCIATION

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

Incentive programme

In conjunction with Nobina's AGM on 31 May 2017, the meeting resolved on an incentive programme of a total of 342,087 shares, that encompasses 22 senior executives, including the CEO. The incentive programme will run for three years from 1 mars 2018.

The Board was also authorized to acquire up to 427,096 own shares to enable the implementation of the share savings programme and to transfer such own shares to Nasdaq Stockholm to cover costs for social security contributions that may arise in connection with the share programme.

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 7.

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 PTAs

During 2017/2018 fiscal 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 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 passenger's 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 PTAs

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 and covered by 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 2018/2019

Ahead of the 2018/2019 fiscal year, continued sales growth is expected, firstly from the full-year effect from traffic starts in 2017/2018 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 and new contracts starting up. The impact of such contract migration is expected to be limited in the 2018/2019

fiscal year as only 98 buses are covered by completed contracts and only 53 buses are included in new contracts. The substantially renewed bus fleet, which is the result of extensive start-ups of new contracts in recent years, is expected to become, on average, older 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 53 are linked to newly started contracts. The company does not provide any forecasts.

PARENT COMPANY

The Parent Company has 11 (11) employees who participate in the overall management of the Nobina Group, including financial analysis, follow-up and financing.

Net sales for the fiscal year, which were comprised entirely of internal services, amounted to SEK 46 million (44) and profit before tax to SEK 82 million (246). Cash and cash equivalents as well as restricted bank accounts amounted to SEK 686 million (796) at the end of the fiscal year. Investments in property, plant and equipment (PPE) and intangible assets amounted to SEK 0 million (0) for the full year. On 28 February 2018, the Parent Company's shareholders' equity was SEK 2,676 million (2,889). The equity/assets ratio was 55 per cent (59).

DIVIDEND PROPOSED BY THE BOARD

The Board of Directors has proposed to the Annual General Meeting a dividend for 2017/2018 of SEK 3.35 (3.10) per share, which is in line with the dividend policy. The proposed dividend corresponds to a dividend yield of 6.1 per cent based on the share price of SEK 55.20 on 28 February 2018.

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 Section 4 of the Swedish Companies Act (2005:551). As set out in the Board's proposed distribution of profits, unappropriated earnings of SEK 2,357,773,396 are at the disposal of the AGM. Provided the 2018 AGM resolves in accordance with the Board's proposed distribution of profits, SEK 2,061,781,861 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 12.6 per cent of the company's equity and 20.5 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 52.6 per cent and 15.2 per cent. Equity has neither increased nor decreased due to the valuation of assets and liabilities in accordance with Chapter 4, Section 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	961,221,938
Profit for the year	61,352,890
Total	2,357,773,396
Dividend to shareholders (SEK 3.35 per share)	-295,991,535
To be carried forward	2,061,781,861
Total	2,061,781,861

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 2017, and comprise: Nuno Caetano, Invesco Limited, Evert Carlsson, Swedbank Robur Fonder, Mattias Cullin, Danske Capital and Chairman of the Board Jan Sjöqvist.

The Nomination Committee is tasked with the preparation and submission of proposals to the 2018 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 2018.

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 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Net sales	1, 2, 3	9,094	8,858
Operating expenses			
Fuel, tyres and other consumables	4	–1,651	–1,637
Other external expenses	4, 5, 6	–1,362	–1,404
Personnel costs	4, 7	–4,919	–4,656
Capital losses from the disposal of non-current assets	8	–7	–14
Depreciation/amortisation of PPE and intangible assets	9	–665	–653
Operating profit	1, 2	490	494
Profit from net financial items			
Financial income	10	–	1
Financial expenses	11	–135	–140
Net financial items		–135	–139
Profit before tax		355	355
Income tax	16	–77	163
PROFIT FOR THE YEAR		278	518
Profit for the year attributable to Parent Company shareholders		278	518
Average number of shares before dilution (000s)	22	88,356	88,356
Average number of shares after dilution (000s)	22	88,356	88,356
Earnings per share attributable to Parent Company shareholders, before dilution (SEK)	22	3.15	5.86
Earnings per share attributable to Parent Company shareholders, after dilution (SEK)	22	3.15	5.86
Number of shares outstanding at year-end (000s)	21	88,356	88,356

Statement of consolidated comprehensive income

	Note	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Profit for the year		278	518
Other comprehensive income			
Items not to be reclassified to profit or loss			
Revaluation of defined-benefit pension plan	23	0	0
Tax on items that will not be reclassified to profit or loss for the period	16	0	0
Items that can later be reclassified to profit or loss			
Exchange-rate differences in foreign operations		11	23
Other comprehensive income, net after tax		11	23
Comprehensive income for the year			541
COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		289	541

Consolidated balance sheet

	Note	28 Feb 2018	28 Feb 2017
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	12	581	586
Other intangible assets	12	6	4
Total intangible assets		587	590
Property, plant and equipment			
Costs for leasehold improvements	13	32	34
Equipment, tools, fixtures and fittings	13	93	72
Vehicles	13	5,093	5,178
Total property, plant and equipment		5,218	5,284
Financial assets			
Deferred tax assets	16	253	306
Assets for pension commitments	23	18	20
Other non-current receivables		5	1
Total financial assets		276	327
Total non-current assets		6,081	6,201
Current assets			
Inventories	17	44	48
Trade receivables	18	549	495
Other current receivables		48	81
Deferred expenses and accrued income	19	365	328
Restricted bank accounts	20	0	0
Cash and cash equivalents	20	720	804
Total current assets		1,726	1,756
TOTAL ASSETS	1, 2	7,807	7,957

Consolidated balance sheet, cont.

	Note	28 Feb 2018	28 Feb 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		318	318
Other contributed capital		3,212	3,212
Translation differences		39	28
Profit/loss brought forward		-2,133	-2,137
Total equity attributable to Parent Company shareholders	21	1,436	1,421
Non-current liabilities			
Borrowing	25	3,582	3,832
Deferred tax liabilities	16	143	124
Provisions for pensions and similar commitments	23	41	46
Other provisions	24	40	56
Total non-current liabilities		3,806	4,058
Current liabilities			
Accounts payable		543	569
Borrowing	25	726	679
Other current liabilities	26	192	215
Accrued expenses and deferred income	27	1,104	1,015
Total current liabilities		2,565	2,478
Total liabilities	2	6,371	6,536
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1	7,807	7,957
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
	28		

Consolidated statement of changes in equity

	Share capital	Other contributed capital	Translation differences	Profit/loss brought forward	Total equity attributable to Parent Company shareholders
Opening equity, 1 March 2016	318	3,212	5	-2,425	1,110
Profit for the year	–	–	–	518	518
Other comprehensive income	–	–	23	–	23
Total comprehensive income for the year	–	–	23	518	541
Transactions with owners					
Dividend	–	–	–	-230	-230
Closing equity, 28 Feb 2017	318	3,212	28	-2,137	1,421
Profit for the year	–	–	–	278	278
Other comprehensive income	–	–	11	–	11
Total comprehensive income for the year	–	–	11	278	289
Transactions with owners					
Dividend	–	–	–	-274	-274
Closing equity, 28 Feb 2018	318	3,212	39	-2,133	1,436

There are no non-controlling interests.

Consolidated cash flow statement

	Note	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Cash flow from operating activities			
Profit after financial items		355	355
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	9	665	653
– Capital gain/loss from the disposal of non-current assets	8	7	14
– Unrealised exchange gain/losses		–	–3
– Financial income	10	–	–3
– Financial expenses	11	135	145
– Changes in provisions, pensions, etc.		–43	19
– Other items		–	–1
Cash flow from operating activities before changes in working capital		1,119	1,179
Cash flow from changes in working capital			
Change in inventories		4	–2
Changes in operating receivables		–53	–41
Changes in operating liabilities		57	97
Total changes in working capital		8	54
Received interest income	10	–1	1
Tax paid	16	–6	–
Cash flow from operating activities		1,120	1,234
Cash flow from investing activities			
Changes in restricted bank accounts	20	–	24
Investments in PPE and intangible assets excl. financial leasing	14	–176	–290
Disposal of non-current assets		62	160
Cash flow from investing activities		–114	–106
Cash flow from financing activities			
Repayment by installment of financial lease liability	25	–653	–667
Amortisation of other external loans	25	–44	–39
New borrowing, other external loans	14, 25	4	64
Interest paid	11	–133	–142
Dividend		–274	–230
Cash flow from financing activities		–1,100	–1,014
Cash flow for the year		–94	114
Cash and cash equivalents at the beginning of the year		804	683
Cash flow for the year		–94	114
Exchange-rate difference		10	7
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	720	804

Parent Company income statement

	Note	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Net sales	1, 3	46	44
Operating expenses			
Other external expenses	4, 5	–22	–22
Personnel costs	4, 7	–37	–43
Depreciation/amortisation of PPE and intangible assets		–	–
Operating profit/loss	1, 2	–13	–21
Profit from participations in Group companies	15	98	277
Financial income	10	5	6
Financial expenses	11	–4	–16
Net financial items		99	267
Profit before tax		86	246
Income tax	16	–25	–55
PROFIT FOR THE YEAR		61	191

Parent Company statement of comprehensive income

	Note	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Profit for the year		61	191
Other comprehensive income			
Items not to be reclassified to profit or loss			
Revaluation of net pension obligations	23	–	–
Tax on items that cannot be reclassified to profit or loss for the period	16	–	–
Other comprehensive income, net after tax		–	–
Comprehensive income for the year		61	191

Parent Company balance sheet

	Note	28 Feb 2018	28 Feb 2017
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	15	3,678	3,685
Deferred tax assets	16	–	25
Total financial assets		3,678	3,710
Total non-current assets		3,678	3,710
Current assets			
Receivables from Group companies		445	398
Other current receivables		1	–
Deferred expenses and accrued income	19	7	1
Cash and cash equivalents	20	686	796
Total current assets		1,139	1,195
TOTAL ASSETS	1	4,817	4,905
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		318	318
Statutory reserve		1	1
Total restricted shareholders' equity	21	319	319
Non-restricted shareholders' equity			
Share premium reserve		1,336	1,336
Profit brought forward		960	1,043
Profit for the year		61	191
Total non-restricted shareholders' equity		2,357	2,570
Total shareholders' equity	21, 32	2,676	2,889
Non-current liabilities			
Provisions for pensions and similar commitments	23	8	10
Total non-current liabilities		8	10
Current liabilities			
Accounts payable		2	1
Liabilities to Group companies		2,113	1,991
Other current liabilities	26	3	1
Accrued expenses and deferred income	27	15	13
Total current liabilities		2,133	2,006
Total liabilities		2,141	2,016
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1	4,817	4,905
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets		406	224
Contingent liabilities		4,033	4,511
Total pledged assets and contingent liabilities	28	4,439	4,735

Parent Company statement of changes in equity

	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	Total shareholders' equity
Opening equity, 1 March 2016	318	1	1,336	1,871	-598	2,928
Profit for the year	-	-	-	-	191	191
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	191	191
Transactions with owners						
Dividend	-	-	-	-230	-	-230
Transfer of the preceding year's profit/loss	-	-	-	-598	598	-
Total transactions with owners	-	-	-	-828	598	-230
Closing equity, 28 Feb 2017	318	1	1,336	1,043	191	2,889
Profit for the year	-	-	-	-	61	61
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	61	61
Transactions with owners						
Dividend	-	-	-	-274	-	-274
Transfer of the preceding year's profit/loss	-	-	-	191	-191	-
Total transactions with owners	-	-	-	-83	-191	-274
Closing equity, 28 Feb 2018	318	1	1,336	960	61	2,676

Parent Company cash flow statement

	Note	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Cash flow from operating activities			
Profit after financial items		86	246
Adjustments for non-cash items			
– Financial income and dividends	10, 15	–103	–283
– Financial expenses	11	3	16
– Unrealised exchange gains/losses		2	–
– Other items		–2	2
Cash flow from operating activities before changes in working capital		–14	–19
Cash flow from changes in working capital			
Changes in operating receivables		–7	2
Changes in operating liabilities		1	2
Total changes in working capital		–6	4
Received interest income	10	6	12
Cash flow from operating activities		–14	–3
Cash flow from investing activities			
Acquisition of subsidiary	15	–1	–
Investments in subsidiaries	15	–16	–
Cash flow from investing activities		–17	–
Cash flow from financing activities			
Group contribution received	15	251	131
Repayment of loans from Group companies		–	–1,022
Receivable, cash pool	20	–18	–481
Liability, cash pool	20	–35	1,048
Takeover of cash pool	20	–	–567
Takeover of loans from Group companies		–	1,963
Interest paid	11	–3	–43
Dividend		–274	–230
Cash flow from financing activities		–79	799
Cash flow for the year		–110	796
Cash and cash equivalents at the beginning of the year		796	0
Cash flow for the year		–110	796
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	686	796

Notes

NOTE 1 COMPANY INFORMATION AND ACCOUNTING POLICIES

Company information

Nobina AB is a public company (Corp. Reg. No. 556576-4569, domiciled in Stockholm) and is listed on 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 PTAs in Sweden, Norway, Denmark and Finland. In addition to contracted bus services, Nobina also offers express bus services throughout most of Sweden. Nobina AB is a holding company whose primary asset comprises its investments in its subsidiaries. The income statement and balance sheet of the Parent Company and the consolidated income statement and balance sheet were approved for publication according to a Board decision on 26 April 2018. 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 2018, 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 the going concern principle. 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 and for completed traffic production. Negotiations are held regularly concerning changes to delivery and compensation within certain contracts. Sometimes, the negotiations result in material changes in compensation. When the level of change is deemed reliable, based on the current negotiating position, this is reflected in revenue recognition. Retroactive change is often also considered.

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

Note 1 cont.

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 contact term, 8 years, which can be extended for another 6 years, i.e. a total of 14 years.

Tax assets

In assessing whether to measure previously accumulated loss carryforwards, refer to Note 16, Group management has decided to report a portion of the Group's current loss carryforwards. Deferred tax has been calculated using tax rates that have been enacted, or are expected to apply when the related deferred tax asset is realised or the tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised. Most of the loss carryforwards are attributable to countries with a long, or unlimited period of use. The deferred tax asset that pertains to deductible temporary differences and 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 material standards and interpretations that are not yet in force in 2017/2018

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

Description and evaluation of new accounting policies, which are not yet in force in 2017/2018

The introduction of **IFRS 9** will impact the Nobina Group through changed principles for reserves and impairment of credit losses. The credit rating model according to IFRS 9 uses a three stage model, where reporting is based on anticipated credit losses in conjunction with issuing an invoice. The impact of IFRS 9 is not expected to result in any major effects on the Nobina Group's income statement and balance sheet. The Nobina Group intends to implement IFRS 9 for the fiscal year beginning in March 2018 (2018/2019).

IFRS 15

IFRS 15 is to replace all current regulations with new joint regulations for revenue recognition. Revenue is recognised when control of the sold good or service is passed to the customer and the customer has control over the good or service when it is possible to direct the use of and obtain substantially all of the remaining benefits from the asset. During the fiscal year, the Nobina Group continued its work on identifying, categorising and analysing customer contracts in accordance with IFRS 15, with internal workshops supplemented with outsourced external IFRS expertise, to interpret and identify agreed performance obligations. The Nobina Group's current contract forms are **1) traffic contracts for tendered traffic** preceded by a tendered traffic contract that has been signed by both parties and that states the rights and obligations of the buyer and the seller, the delivery terms, bonus conditions, penalties for cancelled journeys and payment terms. Payment terms for tendered traffic differ between Nobina's various traffic contracts, where the cash settlement amount as a rule follows an agreed cash settlement plan. The final settlement between the cash settlement amount and the actual production outcome is regulated in accordance with contract, either during the following month, quarter or year after the completion of traffic production. **2) Passenger revenue**, whereby the parties' rights and obligations are accepted via an implemented cash transaction (ticket purchase) also in conjunction with performance of the service. **3) Coach hire and other revenue** are currently covered by an accepted tender or invoiced amounts in conjunction with performance of the services by the Nobina Group. Payment terms for coach hire and other revenue can vary between advances, arrears with 10–30 days' terms of credit, depending on the customers' credit level.

Nobina's revenue streams for tendered traffic

Most of Nobina's income consists of remuneration for scheduled bus traffic and is attributable to contracts with PTAs that run for a term of five to eight years, with an extension option of one to two years. The number of traffic contracts for tendered traffic currently amounts to 69 in Nobina Sweden, 6 contracts in Nobina Denmark, 8 contracts in Nobina Norway and 25 contracts in Nobina Finland. The option to extend traffic contracts does not provide any special benefit to either the PTA or the company, which is why 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 streams for operations under a contract, Nobina reports its revenues when the services are provided and transferred to the customer. Contracts between an operator and a PTA include the parties' commercial terms and conditions, 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. PTAs have the right to increase or decrease the agreed production volume in line with an agreed production interval. Changes to the applicable traffic production, within an agreed contract volume, do not provide any material benefit to the PTA, which is why all revenue is recognised as an undertaking for the operator. The Nobina Group may sometimes pay fines for cancelled journeys, etc. The fines are recognised as a revenue reduction unlike previous years when these were recognised as an expense

Note 1 cont.

in the Nobina Group's income statement. Fines are recognised in the corresponding period when the services are provided and transferred to the customer. The Nobina Group's payment formats for contracted traffic can be either production contracts or incentive contracts.

Contract form – production contract

About 80 per cent of Nobina's contracts with PTAs 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.

Contract form – incentive contract

Nobina's contracts can also be designed so that all or part of the compensation is based on the number of passengers. These are called incentive contracts, and account for about 20 per cent of total contract revenue. Revenue from these contracts is recognised on the date that the passenger travels with Nobina.

Variable revenue included in the production and incentive contract forms

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. Revenue recognition is estimated based on the most probable outcome amount. Cash settlement of allocated quality and performance compensation is effected either on a monthly, quarterly or annual basis retroactively, depending on the traffic contract's agreed conditions, where reconciliation is conducted between the Nobina Group and the PTA.

Other revenue streams

Express bus services

Revenue from passenger revenue consists of ticket revenues from the passengers that Swebus Express AB transports. Revenue is recognised on the day when the passenger travels with Nobina. Advance payments do occur when payment is provided in close conjunction to the journey. Most ticket sales by Swebus are carried out online at swebus.se, as advanced purchases prior to a departure. The customer chooses online where he or she wishes to depart from and travel to and buys a ticket for the whole journey. Swebus does not always operate all or part of the journey, but despite this the customer can still book the entire journey using swebus.se. The customer perceives that the entire ticket is sold by Swebus regardless of operator. The customer approves Swebus's terms and conditions for the purchase, even though another player may operate the journey. Swebus is responsible for the whole journey to the customer, takes the credit risk and if the customer is not satisfied with the journey, the customer can complain to Swebus. Swebus has a number of services that can be bought for the journey, including seat guarantee, cancellation, rebooking, etc., even if the journey is not operated by Swebus. Swebus is the principal for the service as the company controls the whole transaction, credit risks, delays, overbooking and customer complaints, as the transaction is managed via Swebus's website. Swebus prices the whole journey. Part of the ticket sale received from the customer is paid to any partners based on a price stated in partnership agreements. Accordingly, Swebus recognises the entire ticket revenue from its customers as operational revenue regardless of who is carrying out the traffic assignment.

Coach hire

In addition to contracted public transport and passenger revenue, Nobina also conducts contracted needs-governed traffic, what we designate coach hire. This traffic complements the Nobina Group's other operations.

The point of departure is that most of Nobina's traffic contracts usually include scope for freely using the vehicles encompassed by the traffic contract, subject to certain limitations, for commercial traffic, whereby the revenue can either derive from a client, private individual or a company. Revenue is recognised on the day when Nobina performs the traffic assignment and the services are transferred to the customer.

Other services

Other services may include letting of office premises, sales of fuel or maintenance services. All other revenue is recognised when the products are delivered or the services are performed. In addition to the other revenue described, subsidies received, such as labour market contributions, subsidies for technology development, etc, are recognised under the heading Other revenue. In cases where revenue is obtained through short-term coach hire, it is distributed evenly over the term of the contract.

TRANSITIONAL RULES AND EFFECTS FROM THE INTRODUCTION OF IFRS 15

The Nobia Group **has in its analysis** quantified the estimated effect of IFRS 15 and no transitional effects were identified. Only minor reclassifications were carried out between recognised revenue and other external expenses amounting to a negative SEK 55 million in revenue reduction for the full year and a positive SEK 55 million in cost reduction among other external expenses. Accordingly, it will have no impact on operating profit, net profit for the year or the balance sheet. The Nobina Group **intends to implement IFRS 15** for the fiscal year beginning in March 2018 (2018/2019), with retroactive application of the 2017/2018 fiscal year, subject to adjustments of all periods presented.

IFRS 16

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 terms exceeding 12 months and, when the underlying asset is of considerable value. Depreciation of leased assets and interest expenses in the income statement are recognised in profit or loss. The Nobina Group 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 6, 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 about SEK 1,000 million in increased value compared with the Group's current total assets. The Nobina Group's equity/assets ratio is expected to be negatively impacted by approximately 3.0 percentage points. Net debt/EBITDA is expected to be affected from the current 3.1 to about 3.3. The Nobina Group intends to implement IFRS 16 for the fiscal year beginning in March 2019 (2019/2020), with retroactive application of the 2018/2019 fiscal year, subject to adjustments of all periods presented.

SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements comprise all companies in which Nobina AB directly or indirectly has more than 50 per cent 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

Note 1 cont.

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 PTAs representing the various counties. In nearly all cases, PTAs 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 company's 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. 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 goodwill, 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, external and internal loans, and cash and cash equivalents 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 PTAs that run for a term of five to ten years, with an extension option. The option to extend traffic contracts does not provide any special benefit to the PTA or the company, which is

why 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 are provided and transferred to the customer. Contracts between an operator and a PTA include the parties' commercial terms and conditions, 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. PTAs have the right to increase or decrease the agreed traffic production volume in line with an agreed contract volume in the contract. This does not provide any material benefit to the PTA, which is why all revenue is recognised as an undertaking for the operator.

Contract form – production contract

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.

Contract form – incentive contract

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.

Other variable revenue included in the production contract and incentive contract forms

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 PTA.

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.

Passenger revenue

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 office premises, fuel sales and maintenance services is recognised when the goods are delivered and the services performed. In addition to the other revenue described, subsidies received, such as labour market contributions, subsidies for technology development, etc., are recognised under the heading Other revenue. In cases where revenue is obtained through short-term coach hire, it is distributed evenly over the term of the contract.

Note 1 cont.

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.

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 6. 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 PPE 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	8 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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Capital losses from the disposal of non-current assets (buses)

Disposal of non-current assets (buses) is recognised at the sale amount minus the recognised residual value. Impairment of excess buses, not yet sold, is also recognised under this heading, see Note 8.

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 pen-

sion liability, plus realised and unrealised gains and losses attributable to financing. Interest income and interest expense are recognised in the period in which they arise.

Income taxes

The Group's income taxes consist of current tax and deferred tax. Income taxes are reported in the income statement, unless the underlying transaction is reported directly in equity or other comprehensive income. In such cases, the related tax effect is also recognised directly in equity or in other comprehensive income. Current tax refers to taxable profit 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 four years with various growth rates per segment area. Anticipated future cash flows in accordance with these assessments constitute the grounds for the calculation. Working capital changes and investment requirements have hereby been taken into account. If such an analysis indicates that the carrying amount is higher than the recoverable amount, which is the highest of fair value and value in use, the difference between the carrying amount of goodwill and the recoverable amount will be recorded as an impairment loss. The value in use is measured as the anticipated future discounted cash flow generated by the asset.

Other PPE and intangible assets

Other PPE and intangible assets 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. A PPE item 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,

Note 1 cont.

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 2017/2018 or 2016/2017 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

Restricted bank accounts comprise minor deposits for future contractual commitments.

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. Nobina AB is the account principal for the Group cash pool. 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 PTAs where the contracts extend for between five and ten 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 PTA 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.

Note 1 cont.

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 is 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 2017 was 154 (148) per cent. The Group's obligations pertaining to other defined-benefit plans are determined separately for each plan according to the Projected Unit Credit Method. This means that the obligation is calculated as the present value of expected future pension payments. The obligation calculated accordingly is compared with the fair value of the plan assets that secure the obligation. The difference is recognised as a liability/asset with respect to accrued actuarial gains/losses. The calculation of the future payments is based on actuarial assumptions for life expectancy, future salary increases, employee turnover and other factors that influence the choice of discount rate. 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.

Share savings programme

Nobina AB has resolved, via the Board of Directors and the AGM, to establish a performance-based share savings programme, which will come into effect on 1 March 2018. Nobina AB has therefore authorised the repurchase of some own shares to enable a future transfer of matching and performance shares in line with the share savings programme, see Note 7.

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

2017/2018	Nobina Sweden	Nobina Denmark	Nobina Norway	Nobina Finland	Swebus ¹⁾	Central functions and other items ²⁾	Elimination within the Group	Total
Revenue	6,236	544	1,030	1,071	237	6	-30	9,094
Operating profit/loss	466	16	1	91	-36	-48	-	490
EBIT (%)	7.5	2.9	0	8.5	-15.2	-	-	5.4
Net financial items	-93	-7	-22	-17	-1	5	-	-135
Income tax	-1	-	-	-6	-	-70	-	-77
Profit/loss for the year	372	9	-21	68	-37	-113	-	278
EBT (%)	6.0	1.7	-2.0	7.9	-15.6	-	-	3.9
Of which operational leasing expenses	-28	-5	-1	-	-7	-	-	-40
Amortisation and impairments	-444	-31	-68	-79	-9	-34	-	-665
Of which depreciation of assets held under finance leases	-414	-3	-58	-72	-12	-	-	-559
EBITDAR (%)	15.0	9.6	6.7	15.9	-8.4	-	-	13.2
Total assets	4,877	380	830	815	79	826	-	7,807
Of which intangible assets, goodwill	424	-	124	29	4	-	-	581
Of which assets held under finance leases	3,539	28	451	624	43	-	-	4,685
Investments in PPE and financial assets for the year	535	1	80	29	52	19	-	716
Total liabilities	4,246	343	712	731	87	252	-	6,371
Of which, financial liabilities	3,116	223	451	503	47	-	-	4,340
Average number of employees	7,451	674	1,302	1,245	231	144	-	11,047
Number of employees translated to FTEs	6,690	512	1,118	1,020	161	128	-	9,629

2016/2017	Nobina Sweden	Nobina Denmark	Nobina Norway	Nobina Finland	Swebus ¹⁾	Central functions and other items ²⁾	Elimination within the Group	Total
Revenue	6,058	535	974	1,044	274	16	-43	8,858
Operating profit/loss	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

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, subsidies, the sale of fuel and revenue from workshop services to external customers. Sales to three (two) major clients in the Nobina Sweden segment represent 43 (34) per cent of Nobina's sales

and in the Nobina Finland segment, sales to one (one) major client represent 12 (11) per cent of Nobina's sales.

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Revenue Regional and Interregional traffic	8,959	8,691	–	–
Leasing, workshop services and sale of fuel	135	167	–	–
Sales to Group companies	–	–	46	44
Total net sales	9,094	8,858	46	44

NOTE 4 OPERATING EXPENSES

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Fuel	1,125	1,072	–	–
Spare parts	202	203	–	–
Tyres and other consumables	324	362	–	–
Total fuel and other consumables	1,651	1,637	–	–
Leasing expenses	40	53	–	–
Other external expenses	1,322	1,351	22	22
Total other expenses	1,362	1,404	22	22
Payroll expenses	3,659	3,469	23	24
Employer's contributions	856	805	7	7
Pension expenses	298	282	6	10
Other personnel costs	106	100	1	2
Total personnel costs	4,919	4,656	37	43

NOTE 5 REMUNERATION OF AUDITORS

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Fees and compensation to auditors, SEK thousand				
PwC				
Audit assignment	3,180	2,791	906	803
Audit-related activities in addition to audit assignment.	122	–	115	–
Tax advisory services	–	–	–	–
Other services	295	70	282	–
Total	3,596	2,861	1,303	803

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance in the audit or processing of similar data. All other duties are deemed audit operations in addition to the audit assignment. Of remuneration for the

audit assignment totalling SEK 3,180,000, SEK 2,108,000 of the amount invoiced by PricewaterhouseCoopers (PwC) in Sweden is for the statutory audit. All of the remaining remuneration of SEK 122,000 and SEK 295,000, respectively, is invoiced by PwC in Sweden and pertains to audit-related advice and reviews in addition to the regular audit assignment.

NOTE 6 LEASING

Finance leases buses

	Group	
	28 Feb 2018	28 Feb 2017
Assets held under finance leases		
Cost		
Opening balance	7,392	7,350
New contracts signed during the year	540	554
Sales for the year	-248	-620
Exchange-rate difference	31	108
Closing cost	7,715	7,392
Accumulated amortisation		
Opening accumulated amortisation	-2,613	-2,433
Amortisation for the year	-559	-553
Sales for the year	152	409
Exchange-rate difference	-10	-36
Closing accumulated amortisation	-3,030	-2,613
Residual value according to plan	4,685	4,779

During the year, the Group entered into finance lease agreements for SEK 540 (554) 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 per cent. Nobina's standard contracts have a duration of more than 10 years at 10 per cent residual value. Interest expense is calculated as the contract interest rate on the outstanding liability at all times. The contract interest rate normally comprises a variable base interest rate such as STIBOR with the addition of a fixed margin. Nobina is liable for the remaining residual value at the end of the agreement. No substantial secondary leasing of leased buses took place during the fiscal year.

Assets held under finance leases per segment	Group	
	28 Feb 2018	28 Feb 2017
Nobina Sweden	3,539	3,520
Nobina Denmark	28	29
Nobina Norway	451	511
Nobina Finland	624	664
Swebus	43	55
Total assets held under finance leases	4,685	4,779

Finance lease liabilities per segment	Group	
	28 Feb 2018	28 Feb 2017
Nobina Sweden	3,110	3,152
Nobina Denmark	18	20
Nobina Norway	382	439
Nobina Finland	503	565
Swebus	47	55
Total finance lease liabilities	4,060	4,231

Leasing fees for finance leases per segment	Group	
	1 Mar 2017 -28 Feb 2018	1 Mar 2016 -28 Feb 2017
Nobina Sweden	570	582
Nobina Denmark	4	6
Nobina Norway	84	95
Nobina Finland	104	100
Swebus	9	12
Total financial lease fees	771	795

Depreciation of assets held under finance leases per segment	Group	
	1 Mar 2017 -28 Feb 2018	1 Mar 2016 -28 Feb 2017
Nobina Sweden	414	415
Nobina Denmark	3	5
Nobina Norway	58	60
Nobina Finland	72	67
Swebus	12	6
Total Depreciation of assets held under finance leases	559	553

Interest expenses for finance lease liabilities per segment	Group	
	1 Mar 2017 -28 Feb 2018	1 Mar 2016 -28 Feb 2017
Nobina Sweden	86	89
Nobina Denmark	1	1
Nobina Norway	16	21
Nobina Finland	14	15
Swebus	1	2
Total interest expenses for finance lease liabilities	118	128

Note 6 cont.

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

Expected maturity 1 Mar 2018 and later	Q1	Q2	Q3	Q4	2019/2020	2020/2021	2021/2022	Later	Total
Future minimum leasing fees	198	214	196	230	836	625	538	1,586	4,423
Present value of future minimum leasing fees	197	212	192	224	804	583	488	1,360	4,060

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

Future minimum leasing fees for finance lease liabilities and their present value	Group	
	28 Feb 2018	28 Feb 2017
Total future minimum leasing fees	4,423	4,667
Less interest charge	-363	-435
Present value of future minimum leasing fees	4,060	4,232

Operating leases – buses

Operating leases (vehicles)	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Fees for operating leases for the year	40	54
Number of operating leases	262	321

Future minimum leasing fees for non-cancellable operating leases	Group	
	28 Feb 2018	28 Feb 2017
Total future minimum leasing fees	148	174
Less interest charge	-6	-8
Present value of future minimum leasing fees	142	166

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

Operating lease expenses per segment	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Nobina Sweden	28	41
Nobina Denmark	5	7
Nobina Norway	–	–
Nobina Finland	–	1
Swebus	7	5
Total operational leasing expenses	40	54

Nominal value of future minimum leasing fees per segment	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Nobina Sweden	130	148
Nobina Denmark	–	–
Nobina Norway	–	–
Nobina Finland	–	–
Swebus	18	26
Total nominal value of future minimum leasing fees	148	174

Present value of future minimum leasing fees for operating leases per segment	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Nobina Sweden	124	141
Nobina Denmark	–	–
Nobina Norway	–	–
Nobina Finland	–	–
Swebus	18	25
Total present value of future minimum leasing fees for operating leases	142	166

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

Expected maturity 1 Mar 2018 and later	Q1	Q2	Q3	Q4	2019/2020	2020/2021	2021/2022	Later	Total
Future minimum leasing fees	7	7	7	7	29	24	20	47	148
Present value of future minimum leasing fees	7	7	7	7	29	23	19	43	142

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

Note 6 cont.

Other operating leases – Group

	1 Mar 2017 –28 Feb 2018	2018/2019	2019/2020	2020/2021	Later	Total
Property rents	216	182	152	136	210	896
Leases for vehicles excluding buses	6	3	1	–	–	10
Other operating leases	1	–	–	–	–	1
Total nominal value of other operating leases	223	185	153	136	210	907

	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
Total nominal value of other operating leases	238	255	238	216	669	1,616

NOTE 7 PERSONNEL

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Number of employees				
Average number of employees	11,047	12,495	11	12
of whom men	9,613	10,766	8	8
of whom women	1,434	1,729	3	4
Number of employees translated to FTEs	9,629	8,889	11	11
Sweden	7,826	9,335	11	12
of whom men	6,661	7,966	8	8
of whom women	1,165	1,389	3	4
Number of employees translated to FTEs	6,979	6,394	11	11
Denmark	674	697	–	–
of whom men	579	602	–	–
of whom women	95	95	–	–
Number of employees translated to FTEs	512	539	–	–
Norway	1,302	1,219	–	–
of whom men	1,193	1,036	–	–
of whom women	109	183	–	–
Number of employees translated to FTEs	1,118	935	–	–
Finland	1,245	1,244	–	–
of whom men	1,180	1,162	–	–
of whom women	65	62	–	–
Number of employees translated to FTEs	1,020	1,021	–	–

Personnel costs

	Group 1 Mar 2017–28 Feb 2018			Group 1 Mar 2016–28 Feb 2017		
	Salaries and other remuneration	Payroll overheads	Of which pension costs	Salaries and other remuneration	Payroll overheads	Of which pension costs
Parent Company	23	13	6	24	17	10
Subsidiaries in Sweden	2,364	892	155	2,232	833	137
Total Sweden	2,387	905	161	2,256	850	147
Foreign subsidiaries						
Denmark	287	47	26	291	36	27
Norway	482	92	19	428	86	21
Finland	503	110	92	494	115	87
Total foreign subsidiaries	1,272	249	137	1,213	237	135
Total Group	3,659	1,154	298	3,469	1,087	282

Note 7 cont.

Distribution of salaries and other remuneration by country and between the Group's senior executives and other employees	Group 1 Mar 2017–28 Feb 2018			Group 1 Mar 2016–28 Feb 2017		
	Group's senior executives	Of which bonus payments and similar remuneration	Other employees	Group's senior executives	Of which bonus payments and similar remuneration	Other employees
Parent Company	15	2	8	14	5	10
Subsidiaries in Sweden	11	1	2,353	16	4	2,216
Total Sweden	26	3	2,361	30	9	2,226
Foreign subsidiaries						
Denmark	2	1	285	3	0	288
Norway	2	0	480	2	0	426
Finland	2	1	501	3	1	491
Total foreign subsidiaries	6	2	1,266	8	1	1,205
Total Group	32	5	3,627	38	10	3,431

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.

Shareholdings of Directors and senior executives

Number of shares	Group	
	28 Feb 2018	28 Feb 2017
Chairman of the Board		
Jan Sjöqvist	193,737	193,737
Directors		
Graham Oldroyd	34,375	34,375
Liselott Kilaas	–	–
Monica Lingegård	–	–
John Allkins	54,963	54,963
Ragnar Norbäck	700,000	700,000
Senior executives		
Magnus Rosén	30,000	–
Per Skärgård	217,878	217,878
Jan Bosaeus	210,913	210,913
Tom Ward	112,066	112,066
Niels Peter Nielsen	79,005	79,005
Jan Volsdal	4,000	–
Martin Pagrotsky	66,844	66,844
Tomas Hansson	19,000	–
Anna Jonasson	5,900	–
Total number of shares	1,728,681	1,729,972

Remuneration to the CEO and other senior executives

Nobina's senior executives consist of the CEO, Managing Directors for subsidies, CFO, Director for HR, Senior Legal Counsel & Chief Compliance Officer and Director of Business Development & Group functions. The total remuneration to the CEO and other senior executives includes fixed salaries, short and long-term variable remuneration, pensions and other benefits. Senior executives may also be offered to participate in various incentive programmes issued by Nobina AB on market conditions. The overall aim of such incentive programmes is to create shared interest between Nobina's senior executives and shareholders. In the event of termination of employment, senior executives in Nobina are entitled to not more than 18 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.

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 60 per cent of fixed annual salary.

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 targets. Evaluation of these targets takes place annually. Variable remuneration is capped at 60 per cent of fixed annual salary for managing directors of subsidiaries and is capped at 30 per cent of fixed annual salary for senior executives.

Performance-based share savings programme

Nobina's Board of Directors has resolved to introduce a long-term incentive programme to further motivate Nobina's key personnel, which is in turn expected to strengthen Nobina's opportunities to retain and recruit key personnel. The Board of Directors has authorised Nobina AB to acquire not more than 427,096 (transfer of shares to cover social security contributions) own shares to enable the implementation of the share savings programme. The share savings programme encompasses 342,087 shares in Nobina AB. Up to 22 senior executives and other key personnel of the Nobina Group are included in the programme, which must not exceed 17 per cent of each participant's annual fixed salary for 2017/2018. The share savings programme has two different forms, matching and performance shares, where participants are required to acquire shares in Nobina AB or, alternatively, to use shares they already hold. Costs for the share savings programme will be recognised over the savings period, which begins on 1 March 2018 and applies for a three-year period. Costs for the share savings programme are estimated to amount to not more than SEK 12 million over the savings period. The matching and performance shares will be transferred not later than 45 days after the publication of Nobina's year-end report for 2020/2021, if participants are still employed by the Nobina Group.

Pension terms for the CEO

Pension expenses comprise defined-contribution pensions, for which the premium is equal to 35 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. For the CEO, the defined-contribution pension expense amounted to SEK 1.4 (1.4) million.

Note 7 cont.

Pension terms for other senior executives

Pension expenses comprise defined-contribution pensions for other senior executives, whereby the premium is capped at 35 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.

Other employment benefits of the CEO

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

Vacation for the CEO and other senior executives

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

Remuneration of former Board members and CEOs

Nobina AB paid pension benefits to former Board members and CEOs equal to SEK 0 (0.0) million.

Remuneration of former members of Group management amounted to SEK 9 (10) million on the balance-sheet date, and remuneration was paid through endowment insurance. Remuneration of former CEOs (with retirement at the age of 62) amounted to SEK 8 (10) million on the balance-sheet date. Nobina's commitment to former CEOs ends at the age of 65.

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 2017–28 Feb 2018

	Year	Basic salary/ Directors' fees	Variable remuneration	Incentive programme/ IPO	Pension expenses	Other remuneration	Total
Jan Sjöqvist (Chairman)	2017	0.9	–	–	–	–	0.9
Graham Oldroyd (Director)	2017	0.5	–	–	–	–	0.5
Liselott Kilaas (Director)	2017	0.3	–	–	–	–	0.3
Monica Lingegård (Director)	2017	0.3	–	–	–	–	0.3
John Allkins (Director)	2017	0.5	–	–	–	–	0.5
Ragnar Norbäck (CEO until 1 June 2017) (Director)	2017	4.8	–	–	1.2	–	6.0
Magnus Rosén (CEO as of 1 June 2017)	2017	4.6	1.0	–	1.4	–	7.0
Other senior executives, 10 people ¹⁾	2017	15.3	4.0	–	5.8	–	25.1
Total 2017–2018		27.2	5.0	–	8.4	–	40.6

1) Pertains to Martin Pagrotsky, Niels Peter Nielsen, Jan Volsdal, Tom Ward, Anna Jonasson, Per Skärgård, Jan Bosaeus and Tomas Hansson (as of 1 Feb 2018). Annika Molander (until 31 Oct 2017), Joakim Palmqvist (until 31 Aug 2017), Annika Kolmert (until 31 Jan 2018), part of the management team.

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 ¹⁾	2016	20.2	5.9	–	5.7	–	31.8
Total 2016–2017		28.2	10.3	–	7.1	–	45.6

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.

	Group 28 Feb 2018		Group 28 Feb 2017	
	Number	Of whom, men	Number	Of whom, men
Directors and senior executives				
Board incl. CEO	6	66%	6	83%
Other senior executives	10	70%	10	70%

NOTE 8 CAPITAL LOSSES FROM THE DISPOSAL OF NON-CURRENT ASSETS

	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Sales proceeds with respect to buses sold during the year	65	160
Recognised residual value with respect to buses sold during the year	–68	–170
Impairment of available-for-sale buses	–4	–4
Total	–7	–14

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

	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Goodwill	–	–
Other intangible assets	4	7
Costs for leasehold improvements	7	6
Equipment, tools, fixtures and fittings	29	26
Vehicles	625	614
Total	665	653

NOTE 10 INTEREST INCOME AND SIMILAR PROFIT ITEMS

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Financial income	–	–	–	–
Interest income	–	1	–1	–
Interest income from Group companies	–	–	6	6
Total	–	1	5	6

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 (1) million was received during the year.

NOTE 11 INTEREST EXPENSES AND SIMILAR LOSS ITEMS

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Interest expense, finance leases	–118	–128	–	–
Amortisation of bond loan and other external loans	–9	–10	–	–1
Other financial expenses	–5	–5	–1	–1
Interest expenses to Group companies	–	–	–	–14
Realised and unrealised exchange gains/losses, net	–3	3	–3	–
Total	–135	–140	–4	–16

Paid interest expenses amounted to SEK –133 (–142) million. 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 2018	28 Feb 2017
Nobina Sweden ²⁾	424	383
Nobina Denmark	–	–
Nobina Norway ¹⁾	124	129
Nobina Finland	29	29
Swebus ²⁾	4	45
Total Group goodwill	581	586

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

2) During the fiscal year, Swebus was integrated under Nobina Sverige AB's company management and traffic operation, which means share value in Swebus Express AB was partly reallocated to Nobina Sverige AB to correspond to implemented changes in the integration.

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 (four 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 four-year forecast period and the derived terminal value, is 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 four-year period. Thereafter, the growth rate was estimated at zero per cent (zero). The cash flow forecasts are calculated at present value with a yield requirement, WACC, of 7.0 (7.0) per cent.

	28 Feb 2018				28 Feb 2017			
	Nobina Sweden	Nobina Norway	Nobina Finland	Swebus	Nobina Sweden	Nobina Norway	Nobina Finland	Swebus
Sales growth over four-year period	6.5%	1.1%	1.9%	1.7%	7.3%	4.1%	2.5%	2.8%
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%

A sensitivity analysis of value in use was conducted on the balance-sheet date in the form of a general reduction by 0.5 percentage points in the forecast period for organic growth and operating margin, as well as a general increase in weighted capital costs by 0.5 percentage points. The sensitivity analysis generated no impairment requirement in any cash-generating unit.

Other intangible assets	Group	
	28 Feb 2018	28 Feb 2017
Cost		
Opening cost	23	22
Procurement	6	1
Sales/disposals	–	–
Closing cost	29	23
Accumulated amortisation		
Opening accumulated amortisation	–19	–12
Amortisation for the year	–4	–7
Sales/disposals	–	–
Closing accumulated amortisation	–23	–19
Residual value according to plan	6	4

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Costs for leasehold improvements	Group	
	28 Feb 2018	28 Feb 2017
Cost		
Opening cost	57	54
Procurement	5	3
Sales/disposals	–	–1
Translation difference	–	1
Closing cost	62	57
Accumulated amortisation		
Opening accumulated amortisation	–23	–18
Amortisation for the year	–7	–6
Sales/disposals	–	1
Closing accumulated amortisation	–30	–23
Residual value according to plan	32	34

Equipment, tools, fixtures and fittings	Group	
	28 Feb 2018	28 Feb 2017
Cost		
Opening cost	197	179
Procurement	51	29
Sales/disposals	–22	–14
Translation difference	2	3
Closing cost	228	197
Accumulated amortisation		
Opening accumulated amortisation	–125	–112
Sales/disposals	21	14
Amortisation for the year	–29	–26
Translation difference	–2	–1
Closing accumulated amortisation	–135	–125
Residual value according to plan	93	72

Vehicles	Group	
	28 Feb 2018	28 Feb 2017
Cost		
Opening cost	7,954	7,826
Procurement	654	811
Sales/disposals	–326	–811
Translation difference	45	128
Closing cost	8,327	7,954
Accumulated amortisation		
Opening accumulated amortisation	–2,772	–2,583
Sales/disposals	182	462
Amortisation for the year	–625	–611
Translation difference	–15	–40
Closing accumulated amortisation	–3,230	–2,772
Accumulated impairment		
Opening accumulated impairment	–4	–5
Sales/disposals	4	5
Impairment for the year	–4	–4
Closing accumulated impairment	–4	–4
Residual value according to plan	5,093	5,178

Financial leasing is included in the aforementioned amounts, see Note 6, and impairment of available-for-sale buses, see Notes 8 and 9. Impairment pertains to buses where the net realisable value is less than the carrying amount, see Note 1, Excess vehicles (buses).

NOTE 14 NET INVESTMENTS FOR THE YEAR

Investments	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Other intangible assets	–6	–1
Costs for leasehold improvements	–4	–3
Equipment, tools, fixtures and fittings	–51	–29
Vehicles	–655	–811
Total investments	–716	–844
Lease-financed vehicles	540	554
Non-lease-financed investments	–176	–290
Of which loan-financed investments	4	64
Total cash investment for the year	–172	–226

NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company		Profit from participations in Group companies, SEK million	Parent Company	
	28 Feb 2018	28 Feb 2017		1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Participations in Group companies					
Opening balance	3,685	3,685			
Capital infusion Nobina Fleet AB	71	41		336	307
Impairment of capital infusion Nobina Fleet AB	–71	–41		3	–
Capital infusion Nobina Norge AS	16	–		–71	–41
Impairment of capital infusion and book value of Nobina Norge AS	–132	–		7	11
Capital infusion Nobina Technology AB	3	–		–45	–
Intra-Group purchase of Nobina Fastigheter AB	2	–		–132	–
Capital infusion Swebus Express AB	46	–			
Impairment of capital infusion Swebus Express AB	–45	–			
Capital infusion Nobina Busco AB	103	–			
Closing, carrying amounts of participations in Group companies	3,678	3,685	Total	98	277

	Corporate registration number	Business	Share-holders' equity	Number of shares	Profit for the year	Value of ownership share (%)	Share capital	Carrying amount, 28 Feb 2018
Subsidiaries of Nobina AB:								
Nobina Fleet AB (Stockholm)	556031-1812	Holding of buses	42	70,000	10	100	7	22
Nobina Busco AB (Stockholm)	556583-0527	Holding of buses	134	1,000	119	100	0	108
Nobina Technology AB (Stockholm)	556210-1500	Technology advances	3	2,500	0	100	0	3
Nobina Europe AB (Stockholm)	556031-8569	Service company	217	160,000	3	100	16	200
Nobina Sverige 2 AB (Stockholm)	556028-1122	Dormant company	0	300	0	100	0	0
Nobina Fastigheter AB (Stockholm)	556416-2419	Property company	2	1,000	0	100	0	2
Swedish commercial companies								
Swebus Express AB (Stockholm)	556358-3276	Interregional traffic	17	5,000	–1	100	0	23
Nobina Sverige AB (Stockholm)	556057-0128	Regional traffic	474	3,000	2	100	0	2,716
Foreign commercial subsidiaries								
Nobina Finland Oy (Helsinki)	0505988-8	Regional traffic	150	2,000	3	100	29	318
Subsidiaries of Nobina Finland Oy:								
Nobina Finland West Oy (Helsinki)	2175179-4	Regional traffic	59	2,600	23	100	0	
Nobina Finland South Oy (Helsinki)	2175178-6	Regional traffic	28	2,600	6	100	0	
Nobina Finland East Oy (Helsinki)	2175186-6	Regional traffic	9	2,600	4	100	0	
Nobina Norge AS (Oslo)	915768237	Regional traffic	2	4,268	–32	100	37	79
Nobina Danmark Holding ApS (Glostrup)	36078480	Holding company	10	100	0	100	1	207
Subsidiaries of Nobina Danmark Holding ApS:								
Nobina Danmark A/S (Glostrup)	29513376	Regional traffic	61	10,001	34	100	1	
Nobina Danmark Service ApS (Glostrup)	38558420	Workshop services	–28	500	–28	100	0	
Nobina Fleet Danmark ApS (Glostrup)	31586429	Holding of buses	–3	1,250	–1	100	0	
Subsidiaries of Nobina Fleet Danmark ApS:								
Nobina Fleet Danmark No 1 ApS (Glostrup)	36077719	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	1	100	0	100	0	
Nobina Fleet Danmark No 6 ApS (Glostrup)	38127543	Holding of buses	1	100	0	100	0	
Total								3,678

NOTE 16 TAXES

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Current tax on profit for the year	–5	–	–	–
Adjustments to previous years' tax	–	–	–	–
Total current tax	–5	–	–	–
Deferred tax				
Recognition of prior, unrecognised deferred taxes	4	245	–	–
The period's change through profit or loss	–76	–82	–25	–55
Change in comprehensive income for the period	–	–	–	–
Total deferred tax	–72	163	–25	–55
Total income tax	–77	163	–25	–55

The corporate tax rate in Norway is 24 per cent, in Denmark 22 per cent, in Finland 20 per cent and in Sweden 22 per cent. The Group's tax expense amounted to a negative SEK –77 million (+163), which was –21.7 per cent (45.9) of profit for the year. Current tax amounted to SEK 5 (0) million.

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Tax assets and tax liabilities				
Deferred tax assets, gross				
Postponed depreciation/amortisation, impairment and adjustments to fair value, other PPE	11	10	–	–
Postponed expenses for provisions	2	2	–	–
Doubtful debts	–	–	–	–
Other deferred tax assets attributable to pensions	2	5	–	–
Tax loss carryforwards	372	437	–	25
Total	387	454	–	25
Deduction for unrecognised, deferred tax assets	–134	–148	–	–
Total deferred tax assets	253	306	–	25
Deferred tax assets, net				
Opening carrying amount	306	121	25	80
The period's change through profit or loss of prior unrecognised deferred taxes	4	245	–	–
The period's change in contributed capital	–	–	–	–
The period's change through profit or loss	–57	–60	–25	–55
Closing carrying amount, net	253	306	–	25
Deferred tax liabilities, gross				
Faster rate of depreciation/amortisation and adjustments to fair value, other PPE	–143	–124	–	–
Total deferred tax liabilities	–143	–124	–	–
Deferred tax liabilities, net				
Opening carrying amount	–124	–102	–	–
The period's change through profit or loss	–19	–22	–	–
Reserved offset of tax liabilities/assets, other reclassification	–	–	–	–
Closing carrying amount, net	–143	–124	–	–
Total net tax assets and tax liabilities	110	182	–	25
Net increase (+)/net decrease (–) of tax assets/liabilities	–72	163	–25	–55

Note 16 cont.

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Non-recognised, deferred tax assets				
Opening non-recognised amount	148	368	–	–
Addition of previously non-capitalised loss carryforwards	1	5	–	–
Change in applicable tax rates	–1	8	–	–
Change for the period, recognised through profit or loss	–	–245	–	–
Exchange-rate differences	–14	12	–	–
Total deferred non-recognised tax assets	134	148	–	–
Offset of deferred tax liabilities	–	–	–	–
Total deferred non-recognised tax assets	134	148	–	–

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Expected maturity of both recognised and unrecognised tax loss carryforwards				
2018/19	–	–	–	–
2019/20	–	–	–	–
2020/21	–	–	–	–
2021/22	–	–	–	–
2022/23	–	–	–	–
Unlimited	1,658	1,877	–	115
Total	1,658	1,877	–	115

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Deferred, net, tax loss carryforwards by country				
Sweden	242	293	–	25
Denmark	11	13	–	–
Norway	–	–	–	–
Finland	–	–	–	–
Total deferred tax loss carryforwards, recognised	253	306	–	25

The Group's theoretical tax expense amounts to 22 per cent of its profit before tax. The difference between the reported tax expense and expected tax expense is explained below. The Group has not recognised any deferred tax assets for Nobina Norway, since the business plan moving forward (four 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 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Profit before tax	355	355	86	246
Average income tax rates (22 per cent)	–78	–78	–19	–54
Tax effect of:				
Non-taxable revenue and non-deductible expenses	1	–1	–	–1
Other temporary differences	2	2	–6	–
Temporary differences in deferred tax assets	–	–	–	–
Capitalisation of previously unrecognised loss carryforwards	4	245	–	–
Unrecognised loss carryforwards	–6	–5	–	–
Total	–77	163	–25	–55
Effective income tax rate (%)	–21.7%	45.9%	–29.1%	–22.4%

NOTE 17 INVENTORIES

	Group	
	28 Feb 2018	28 Feb 2017
Spare parts	26	26
Fuel	18	22
Total	44	48

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 18 ACCOUNTS RECEIVABLE

	Group	
	28 Feb 2018	28 Feb 2017
Trade receivables	550	496
Provision for doubtful debts	-1	-1
Total	549	495

Accounts receivable aging analysis, SEK million	Accounts receivable 28 Feb 2018	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	550	539	-	2	-	1	8

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

	Group	
	28 Feb 2018	28 Feb 2017
Provision for doubtful debts		
Opening balance	-1	-2
Reversals for the year	0	2
Loan losses	0	0
Provisions for the year	0	-1
Total closing balance	-1	-1

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

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Accrued transport income	197	211	–	–
Other prepaid expenses	168	117	7	1
Total	365	328	7	1

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

NOTE 20 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK ACCOUNTS

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Restricted bank accounts	–	–	–	–
Cash and cash equivalents	720	804	686	796

The item cash and cash equivalents recognises holdings in company accounts, including the Group account. Nobina AB is the account principal for the Group cash pool. Nobina AB has receivables from Group companies, via the Group's cash pool, amounting to SEK 97 million (79) and liabilities of SEK 1,915 (1,949) million, which are recognised as a component of Nobina AB's receivables from Group companies, an amount of SEK 445

million (398), and liabilities to Group companies, in an amount of SEK 2,113 million (1,991). Receivables and liabilities within the Group's cash pool are recognised as current transactions with subsidiaries. During the previous year, Nobina AB took over the Group's cash pool from the subsidiary Nobina Europe AB.

NOTE 21 EQUITY

Reconciliation of number of shares 28 Feb 2017	Ordinary shares
Opening balance	88,355,682
Closing balance	88,355,682
Reconciliation of number of shares 28 Feb 2018	Ordinary shares
Opening balance	88,355,682
Closing balance	88,355,682

Translation differences

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

Dividend

Dividends are proposed by the Board in accordance with the stipulations of the Swedish Companies Act and adopted by the Annual General Meeting. Dividends are recognised in the Parent Company as a reduction in non-restricted equity only at the time of payment 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 22 EARNINGS PER SHARE

	Group	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Average number of ordinary shares during the period (000s)	88,356	88,356
Recognised profit (SEK million)	278	518
Earnings (SEK million)	278	518
Earnings per share (SEK) before and after dilution	3.15	5.86

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

NOTE 23 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Commitments and pension expenses				
Present value of pension commitments	-41	-46	-8	-10
Fair value of plan assets	18	20	-	-
Net provisions (+)/assets (-) for pension commitments	-23	-26	-8	-10
Of which recognised as provisions	-41	-46	-8	-10
Of which recognised as assets	18	20	-	-

	Group		Parent Company	
	1 Mar 2017 -28 Feb 2018	1 Mar 2016 -28 Feb 2017	1 Mar 2017 -28 Feb 2018	1 Mar 2016 -28 Feb 2017
Pension expenses are included in personnel costs and comprise the following:				
Cost pertaining to services rendered during the current period	1	1	1	1
Interest expense	-	1	-	-
Expected return on plan assets	-	-	-	-
Deductions from pension obligations due to changes in terms	-	2	-	-
Social security contributions	-	-	-	-
Pension expenses, net	1	4	1	1

Significant actuarial assumptions

The actuarial calculation of pension commitments and pension expenses is based on the following significant assumptions: 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 per cent would impact the pension obligation by a negative SEK -2 (-2) million, while a decrease of -1 per cent would have a positive impact of SEK 2 (2) million.

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 298 (282) million, of which defined benefit plans account for SEK 1 (4) million. The Group's pension plans are described in more detail in Note 1, Company information and accounting policies.

	Sweden	
	28 Feb 2018	28 Feb 2017
The key actuarial assumptions used in calculating the pension liability were as follows:		
Discount rate	1.1%	1.2%
Expected rate of salary increases	-	2.0%
Future rate of pension increases	1.5%	1.7%

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Present value of pension commitments				
Opening balance	-46	-141	-10	-8
Benefits vested during the year		-1	-1	-1
Deductions and additional deductions from pension obligations due to changes in pension terms	-	97	-	-
Interest expenses	-	-1	-	-
Benefits paid	5	5	2	-
Actuarial gains (-)/losses (+)	-	-	1	-1
Social security contributions	-	-	-	-
Exchange-rate differences	-	-5	-	-
Total at year-end	-41	-46	-8	-10

Note 23 cont.

Fair value of plan assets	Group	
	28 Feb 2018	28 Feb 2017
Opening balance	20	116
Expected return on plan assets	–	–
Deductions and additional pension obligations due to changes in pension terms	–	–99
Funds contributed by employer	–	1
Funds paid	–2	–3
Actuarial gains (+)/losses (–)	–	–
Exchange-rate differences	–	5
Total at year-end	18	20

Net assets/provisions for pension commitments	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Opening balance	–26	–25	–10	–8
Benefits paid	4	2	–	–
Deductions from pension obligations due to changes in pension terms	–	–2	–	–
Funds contributed by employer	1	–1	–1	–1
Funds paid	–2	–	2	–
Actuarial losses/gains (net)	–	–	1	–1
Social security contributions	–	–	–	–
Exchange-rate differences	–	–	–	–
Closing balance, net assets (–)/provisions (+) for pension commitments	–23	–26	–8	–10

Actual market value of plan assets on the balance-sheet date	Group		Group	
	28 Feb 2018	%	28 Feb 2017	%
Interest-bearing securities, cash and cash equivalents	18	100%	20	100%
Shares and other investments	–	–	–	–
Total	18	100%	20	100%

Allocation of plan assets and pension obligations per segment	Group			
	Plan assets		Pension obligations	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Nobina Sweden	18	20	41	46
Nobina Denmark	–	–	–	–
Nobina Norway	–	–	–	–
Nobina Finland	–	–	–	–
Total plan assets	18	20	41	46

The pension liabilities are secured through credit insurance. Given the applied actuarial assumptions, the Nobina Group expects the following paid benefits over the next five-year period.

	Group					
Future net payments	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	Later
Expected net paid benefits	8	7	7	4	3	7

NOTE 24 OTHER PROVISIONS

Other provisions ¹⁾	Group	
	28 Feb 2018	28 Feb 2017
Provision for onerous contracts	–	–
Provision for damage to vehicles and third-parties	30	46
Provision for environmental commitments	10	10
Total	40	56

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

	Group	
	28 Feb 2018	28 Feb 2017
Provision for onerous contracts	–	–
Opening balance	–	–
Reversals for the year	–	–
Provisions for the year	–	–
Closing balance	–	–

Provision for damage to vehicles and third-parties	Group	
	28 Feb 2018	28 Feb 2017
Opening balance	46	27
Reversals for the year	–130	–27
Provisions for the year	114	46
Exchange difference	0	0
Closing balance	30	46

Provision for environmental commitments for leased land and facilities	Group	
	28 Feb 2018	28 Feb 2017
Opening balance	10	10
Reversals for the year	–	–
Provisions for the year	–	–
Closing balance	10	10

NOTE 25 FINANCE LEASE LIABILITIES AND OTHER LOANS

Maturity ¹⁾	Group 28 Feb 2018			Group 28 Feb 2017		
	Other external loans	Finance lease liability	Total	Other external loans	Finance lease liability	Total
2017/18	–	–	–	42	637	679
2018/19	38	688	726	43	608	651
2019/20	35	587	622	40	503	543
2020/21	34	507	541	36	426	462
2021/22	22	479	501	25	413	438
2022/23	20	371	391			
Later	99	1,428	1,527	94	1,644	1,738
	248	4,060	4,308	280	4,231	4,511
Of which short-term repayment by installment of portion of the Group's borrowings	38	688	726	42	637	679
Of which long-term portion	210	3,372	3,582	238	3,594	3,832
Total liability	248	4,060	4,308	280	4,231	4,511

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

Loan currency	Group 1 Mar 2017–28 Feb 2018			Group 1 Mar 2016–28 Feb 2017		
	Nominal amount	Amount SEK million	Interest, weighted average (%)	Nominal amount	Amount SEK million	Interest, weighted average (%)
Other external loans in SEK	7	7	2.1	6	6	1.5
Other external loans in NOK	57	60	4.7	64	69	4.8
Other external loans in DKK	133	181	2.6	159	205	1.5
Financial lease liability in SEK	3,157	3,157	2.8	3,200	3,200	2.8
Finance lease liability in EUR	50	503	2.7	59	572	2.8
Finance lease liability in NOK	366	382	4.0	406	439	4.5
Finance lease liability in DKK	14	18	3.5	16	20	2.9
Total loan liability		4,308			4,511	

Note 25 cont.

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

	Other loans		Financial borrowings	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
The year's change in borrowing in terms of bond loans and other liabilities				
Opening balance	280	242	4,231	4,451
The year's new borrowing	4	64	540	554
The year's repayments	–44	–39	–653	–667
The year's early redemption of financial borrowings on the sale of buses	–	–	–75	–172
Translation difference	8	13	17	65
Closing balance	248	280	4,060	4,231

NOTE 26 OTHER NON-CURRENT LIABILITIES

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Employee withholding taxes	165	162	1	1
Other current liabilities	27	53	2	–
Total	192	215	3	1

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Deferred income	276	247	–	–
Accrued salaries	447	426	3	7
Other accrued personnel costs	144	140	5	4
Accrued interest expense	0	0	–	–
Other accrued expenses	237	202	7	2
Total	1,104	1,015	15	13

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Pledged assets				
Chattel mortgage	150	150	–	–
Other pledged assets				
Other pledged assets	–	–	406	224
Contingent liabilities				
Guarantee of lease obligations and other obligations	21	–	4,033	4,511
Total	171	150	4,439	4,735

Nobina AB has pledged Parent Company guarantees to lessors, and has also provided a Parent Company guarantee for purchases of fuel 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, for example, of the Norwegian and Danish

PTAs, and the Norwegian tax authorities amounting to a maximum of SEK 369 (189) 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 29 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 (150) million as of 28 February 2018.

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 43 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 have a market rate floor of zero per cent. 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 6 and 25.

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 PTAs. Provisions have been made for accounts receivable deemed to be doubtful and this has had a negative impact of SEK -1 (-1) million 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. 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 11 (23) million for the year. A weakening/strengthening of the SEK by 10 per cent when translating the income statements of foreign subsidiaries would affect the Group's profit after financial items by approximately SEK 5 million.

Raw 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 March, Nobina entered into a diesel cap contract for the Norwegian subsidiary, regarding 500 metric tons per month for the period March 2017 through October 2017, which pertained to 95 per cent of consumption. The strike price for the cap was NOK 4,450 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 2018.

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 regularly 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 Nobina'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 30 FINANCIAL INSTRUMENTS

Group Financial assets	Fair value hierarchy	Carrying amount	
		28 Feb 2018	28 Feb 2017
Loan and accounts receivable			
Non-current receivables		5	1
Trade receivables		549	495
Other current receivables		48	81
Restricted cash and cash equivalents		0	0
Cash and cash equivalents		720	804
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	–	–
Total Group		1,322	1,381

Group Financial expenses	Fair value hierarchy	Carrying amount	
		28 Feb 2018	28 Feb 2017
Other financial liabilities			
Interest-bearing liabilities, loans		4,349	4,557
Accounts payable		543	569
Other current liabilities		192	215
Financial liabilities measured at fair value through profit or loss	2	–	–
Total Group		5,084	5,341

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 Financial assets	Fair value hierarchy	Carrying amount	
		28 Feb 2018	28 Feb 2017
Loan and accounts receivable			
Receivables from Group companies, interest-bearing		445	398
Other current receivables		1	–
Cash and cash equivalents		686	796
Financial assets measured at fair value through profit or loss	2	–	–
Total Group		1,132	1,194

Parent Company Financial expenses	Fair value hierarchy	Carrying amount	
		28 Feb 2018	28 Feb 2017
Other financial liabilities			
Liabilities to Group companies, interest-bearing		2,113	1,991
Accounts payable		2	1
Other current liabilities		3	1
Financial liabilities measured at fair value through profit or loss	2	–	–
Parent Company		2,118	1,993

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 31 RELATED PARTY TRANSACTIONS

The ten largest shareholders in Nobina AB are presented on page 36. Internal services in the Nobina Group are sold and purchased on the basis of current price lists and terms for non-related parties. Agreements for services with intra-group companies are met on a cost-plus basis, plus a 3–5 per cent profit margin.

	Group		Parent Company	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Related party transactions				
Sales of services to intra-Group companies		–	46	44
Purchase of services from intra-Group companies		–	–5	–7
Personnel costs				
Board of Directors	–3	–3	–3	–3
Senior executives	–25	–34	–12	–20
Pension expenses	–8	–7	–2	–3
Social security contributions	–14	–12	–3	–6
Total related party transactions	–50	–56	21	5
Profit from participations in intra-Group companies	–	–	98	277
Interest income from intra-Group companies	–	–	6	6
Interest expenses to intra-Group companies	–	–	0	–16

	Group		Parent Company	
	28 Feb 2018	28 Feb 2017	28 Feb 2018	28 Feb 2017
Related party transactions				
Receivables from intra-Group companies	–	–	445	398
Liabilities to intra-Group companies	–	–	–2,113	–1,990
Pension provision to former CEO	–8	–10	–8	–10

NOT 32 PROPOSED APPROPRIATION OF PROFIT (SEK)

Funds available for appropriation by the Annual General Meeting:

Share premium reserve	1,335,198,568
Profit brought forward	961,221,938
Profit for the year	61,352,890
Total	2,357,773,396
Dividend to shareholders (SEK 3.35 per share)	–295,991,535
To be carried forward	2,061,781,861
Total	2,061,781,861

NOTE 33 EXCHANGE RATES

	Average		Closing day	
	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017	1 Mar 2017 –28 Feb 2018	1 Mar 2016 –28 Feb 2017
Exchange rates				
EUR	9.927	9.491	10.075	9.570
NOK	1.026	1.033	1.044	1.079
DKK	1.333	1.275	1.353	1.287

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 2018 will resolve on the adoption of the Parent Company's and the Group's income statements and balance sheets.

Stockholm, 26 April 2018

Jan Sjöqvist

Graham Oldroyd
Director

John Allkins
Director

Liselott Kilaas
Director

Ragnar Norbäck
Director

Monica Lingegård
Director

Magnus Rosén
CEO

Our auditors' report was issued on 26 April 2018

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, 2017 to February 28, 2018. The annual accounts and consolidated accounts of the company are included on pages 56–105 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, 2018 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, 2018 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.

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

Basis for Opinions

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

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

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 applies to the bus fleet which consists of around 3600 busses which are accounted for in the balance sheet.

Nobinas 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 consists of these main activities:

- Planning and related activities
- Audit of management's 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.

The audit is directed by Michael Bengtsson and the Central Audit Team of Nobina AB and the Group. The audit is conducted, throughout all subsidiaries, by audit teams within the PwC network. The focus and scope means that we conduct an audit including all material entities within Nobina who, together, constitute a significant portion of revenues, earnings and assets.

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 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 64–65 and in note 29 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

Risk management is described in the Management Administration report on page 64–65 and in note 29 Financial risks and risk management.

The value of Nobinas bus fleet amounts to about 5,1 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 busses 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.

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.

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 1–36, 48–55 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/revisornsansvar. 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 Directors of Nobina AB (publ) for the financial year March 1, 2017 to February 28, 2018 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 Directors 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/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Nobina AB (publ.) by the general meeting of the shareholders on the 31 May 2017 and has been the company's auditor since 2014.

Stockholm the 26 April 2018
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

Multi-year overview

SEK million (unless otherwise stated)	2017/2018	2016/2017	2015/2016 before IPO costs	2015/2016 after IPO costs	2014/2015	2013/2014
Net sales	9,094	8,858	8,317	8,317	7,549	7,269
Operating profit	490	494	462	258	371	326
Profit before tax	355	355	299	2	141	87
Profit for the year	278	518	301	4	94	56
Cash flow for the year	-94	114	266	234	141	173
EBITDA	1,162	1,161	1,083	879	922	832
EBITDA margin, %	12.8	13.1	13.0	10.6	12.2	11.4
EBITDAR	1,202	1,215	1,141	937	1,019	973
EBITDAR margin, %	13.2	13.7	13.7	11.3	13.5	13.4
Cash and cash equivalents incl. restricted funds	720	804	707	707	568	465
Of which restricted funds	0	0	24	24	115	156
Equity/assets ratio, %	18.4	17.9	14.5	14.5	4.7	3.8
Equity	1,436	1,421	1,110	1,110	310	224
Dividend per share	3.10	2.60	–	–	–	–
Net debt	3,629	3,753	4,022	4,022	3,867	3,611
Net debt/EBITDA	3.12	3.23	3.71	4.58	4.19	4.34
Number of buses	3,625	3,564	3,703	3,703	3,347	3,359
Estimated number of passengers (million)	319	307	277	277	245	242
Number of production kilometres (million)	293	293	279	279	265	270
Number of production hours (thousand)	11,352	11,241	9,885	9,885	8,981	8,942
Estimated FTEs	9,629	8,889	8,461	8,461	7,603	7,547
Net sales per bus	2.51	2.49	2.25	2.25	2.26	2.16

Information on performance measures

DEFINITIONS

Alternative performance measures

Nobina applies the ESMA's guidelines for APMs (alternative performance measures) and is of the opinion that the performance measures provide valuable and significant information for investors and company management. 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.
EBITDAR	Operating profit before net financial items, tax, depreciation, amortisation, earnings from sale of fixed assets and operating leasing expenses for buses.
EBITDAR margin	EBITDAR in relation to net sales.
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 period divided by average number of shares.
Earnings per share after full dilution	Profit for the period divided by average number of shares after full dilution.
Dividend per share	Dividend amount 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 period.
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

Key performance indicators, Nobina (SEK million, except as otherwise indicated)	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
	Mar 17–Feb 18	Mar 16–Feb 17	Mar 15–Feb 16	Mar 14–Feb 15	Mar 13–Feb 14
EBITDA and EBITDAR:					
Operating profit	490	494	258	371	326
Capital gains from the disposal of non-current assets	7	14	15	35	15
Depreciation/amortisation of PPE and intangible assets	665	653	606	516	491
Total EBITDA	1,162	1,161	879	922	832
Fees for operating leases for the period	40	54	58	97	141
Total EBITDAR	1,202	1,215	937	1,019	973
Adjusted EBITDA and EBITDAR (adjusted results are based on information from Note 5):					
Adjusted operating profit	490	494	462	371	326
Capital losses from the disposal of non-current assets	7	14	15	35	15
Depreciation/amortisation of PPE and intangible assets	665	653	606	516	491
Total adjusted EBITDA	1,162	1,161	1,083	922	832
Fees for operating leases for the period	40	54	58	97	141
Total adjusted EBITDAR	1,202	1,215	1,141	1,019	973
Interest-bearing liabilities:					
Non-current borrowing	3,582	3,832	3,941	3,765	3,483
Pension liability	41	46	36	36	28
Current borrowing	726	679	752	634	565
Total interest-bearing liabilities	4,349	4,557	4,729	4,435	4,076
Cash	–720	–804	–683	–453	–309
Restricted bank accounts	–	–	–24	–115	–156
Total net debt	3,629	3,753	4,022	3,867	3,611
Net debt/EBITDA	3.12	3.23	4.58	4.19	4.34
Net debt/adjusted EBITDA	3.12	3.23	3.71	4.19	4.34

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 free volume in a contract.

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 act.

Concessions contract – A form of contract between a traffic company and a client (municipality/county council) that was typical prior to the public transport authority reform and which, in parts, continues for a transitional period. Under these contracts, the traffic company undertakes all aspects of the transport assignment, including the sale of services to passengers.

EURO 1-EURO 6, EEV – various generations of emission classes for diesel engines.

Express route – A longer route on main roads that provides faster transport through several counties without several stops.

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

Incentive contract – Normally a production contract that contains, to a larger or smaller degree, a compensation component that is variable and depends on the number of passengers.

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, etc. 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 act.

Regional traffic – Nobina's segment for transport services tendered from a public client.

Regional transport – Transport outside and between built-up areas in a county.

Seat kilometres – Measure of the service provided. The number of seats in a bus multiplied by the bus's driving distance in kilometres.

Subcontractor – A party assigned by the traffic company to assist in the provision of transport services.

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) ("Nobina" or the "company") will be held on 31 May 2018 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 25 May 2018.

Shareholders must also notify Nobina of their intention to participate by mail to Nobina AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, by telephone to +46 8 402 92 12, or via the company's website, www.nobina.com, no later than on 25 May 2018. The notification should include the shareholder's name, personal identification number/corporate registration number (or similar), address and daytime telephone number, as well as, if applicable, details of representatives, proxies and advisors.

NOMINEE-REGISTERED SHARES

Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name in the share register maintained by Euroclear Sweden AB in order to be entitled to attend the Meeting. Such registration must be effected no later than on 25 May 2018. Shareholders must, therefore, instruct their nominees well in advance of this date.

FINANCIAL INFORMATION 2018/2019

Annual General Meeting	31 May 2018
Interim report, first quarter (1 March–31 May)	29 June 2018
Interim report, second quarter (1 June–31 August)	27 September 2018
Capital Markets Day	9 October 2018
Interim report, third quarter (1 September–30 November)	20 December 2018
Year-end Report 2018/2019	5 April 2019

IR CONTACTS

Mattias Gelinder, Head of Treasury and IR
Telephone: +46 (0)8-410 65 402
mattias.gelinder@nobina.com

Per Skärgård, CFO
Telephone: +46 (0)8 410 65 056
per.skargard@nobina.com

PRESS RELEASES AND REPORTS

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Nobina is the largest public transport company in the Nordic region, with more than 11,000 employees, 3,600 buses and sales of over SEK 9 billion. Every day, Nobina ensures that about one 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.

Nobina AB
Armégatan 38
SE-171 71 SOLNA

Nobina Sverige AB
Armégatan 38
SE-171 71 SOLNA

Nobina Danmark A/S
Fabriksparken 22
DK-2600 GLOSTRUP

Nobina Norge AS
Schweigaardsgate 10
N-0185 OSLO

Nobina Finland Oy Ab
Klovinpellontie 5
FIN-02180 ESPOO

Swebus Express AB
Armégatan 38
SE-171 71 SOLNA

