Nobina

Annual Report 2011/2012

» THE BUS RIDE TOOK ALL DAY BACK THEN »

When we took the bus from Lövånger to visit Grandma and Grandpa in Umeå in the 1940s, the trip almost took all day. Now, it's a quick and comfy ride that takes just over an hour. A lot has happened in terms of both buses and roads since then ...

EVA, 73 YEARS OLD

Nobina's business concept is about simplifying everyday travel. We have even greater ambitions. We want to help get society on the move more. And, we want more people to travel by public transport – at least double the current amount. Traveling together is smart and sustainable. We've been doing this for over a hundred years.

CONTENTS

The people in the full-page photographs have no connection with the quotations.
The photographs come from photo agencies and the names have been changed of the people quoted.

While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

This is Nobina

Nobina continues to maintain its market-leading position on a changing market. The company's ambition is to advance its position with sustained profitability throughout the Nordic region, and take shares in the value chain through improved customer offerings and an optimized bus fleet and traffic planning. Through goal-oriented and delegated leadership, the industry's most dedicated employees will be a driving force in this movement.

BUSINESS MODEL

Nobina has an effective business model based on stable revenue generated by long-term contracts and relationships. The market logic and selected model entail that the business is conducted with low risk. An extensive contract portfolio and large tender volumes provide stability, while the growing number of contracts that feature incentives (and in certain cases entirely passenger-based remuneration) due to ongoing deregulation, allow for growth and better margins.

Nobina's market-leading position in the Nordic region entails significant advantages in connection with tendering processes, contract management, vehicle operation and traffic planning.

The operations are divided into two business areas: Regional and Interregional traffic. Nobina is one of the largest public transport companies in northern Europe with a bus fleet of about 3,500 buses and 280 million completed customer trips per year.

OVERALL GOALS

Nobina shall continue to be a strong driving force in the market to expand public traffic by bus in the Nordic region, broaden traffic companies' responsibility for the customer offering and improve opportunities for strengthening the profitability of contracts through more balanced terms between the parties.

STRATEGY – PROFITABLE GROWTH

Stable and profitable growth is achieved by securing the right contracts, rather than greater market shares, and by optimizing the bus fleet and daily operation in existing contracts. Nobina's focal points:

WORK FOR A LARGE ACCESSIBLE TENDER VOLUME TO SECURE MORE PROFITABLE CONTRACTS

- Nobina shall enhance the quality of its tenders and participate in a large number of tendering process, but only where there are good conditions for profitability.

DEVELOP THE CUSTOMER OFFERING AND TAKE A LARGER SHARE OF THE VALUE CHAIN

- Nobina shall strengthen its offering to customers in both Regional and Interregional traffic, through constant product development and greater responsibility for influencing the journey and the traveling.

PRIORITIZE AND IMPROVE PROFITABILITY IN ALL AREAS

- Nobina shall achieve greater efficiency in both existing and new contracts with the support of Group-wide working processes.
- Optimize indexation, fuel consumption and traffic planning.

CONSTANTLY DEVELOP LEADERSHIP AND EMPLOYEE PARTICIPATION

- Prioritize the recruitment and training of leadership for all managers roles.
- Make all employees visible and committed through management by objectives and continuous feedback.

CONTINUE TO ACTIVELY DRIVE STRUCTURAL CHANGE

- Nobina shall capture market opportunities and increase the proportion of incentive-based remuneration in traffic contracts. This entails increasing the traffic company's commitment through greater responsibility for the range of services, schedules and sales, and remuneration for both traffic production and the number of passengers.
- Participate in the market consolidation towards active and quality-focused players.

Nobina's business concept is to simplify customers' everyday travel, and the vision is clear:

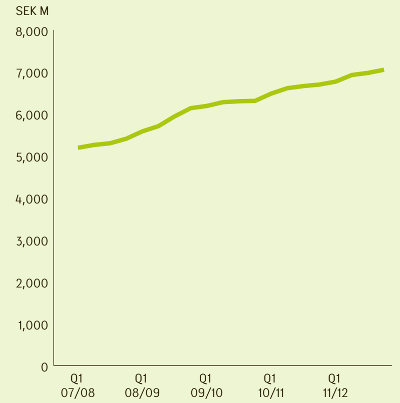
»EVERYBODY WANTS TO TRAVEL WITH US»

Financial overview

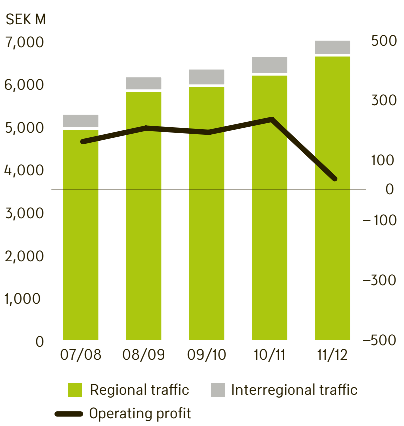
Sales increased by **5.3%** to **SEK 7,050 million** (6,697) and operating profit fell to **SEK 37 million** (232). The decline in earnings comprises one-off effects in the form of a goodwill impairment for Nobina Norge AS in the amount of **SEK 84 million,** a one-off charge to earnings for regional bus traffic in Norway of **SEK 31 million,** taking up previous issue expenses of **SEK 49 million** as income, expenses for the centenary celebrations of **SEK 7 million,** and extraordinary winter expenses in Finland of **SEK 8 million.** During the year, Nobina won contracts for **650 buses** (556). **263 buses** (273) were acquired to a value of **SEK 745 million** (731) and were financed though financial leasing. The number of cash-financed buses totaled **133** (122) to a value of **SEK 53 million** (151).

SEK M unless otherwise stated	Sales 2011/2012	Sales 2010/2011	Operating profit 2011/2012	Operating profit 2010/2011
Regional traffic				
Sweden	4,905	4,459	295	242
Denmark	325	323	–33	–53
Norway	718	783	–128	21
Finland	775	756	12	7
Interregional traffic				
Swebus	370	430	–4	40
Total	**7,050**	**6,697**	**37**	**232**

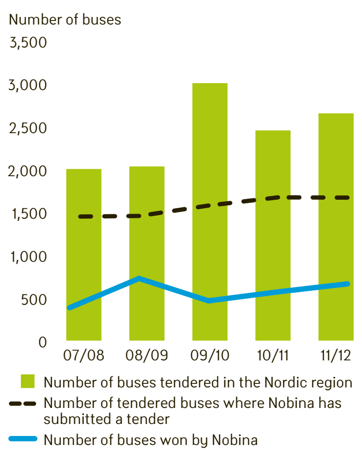
SALES
Rolling four quarters



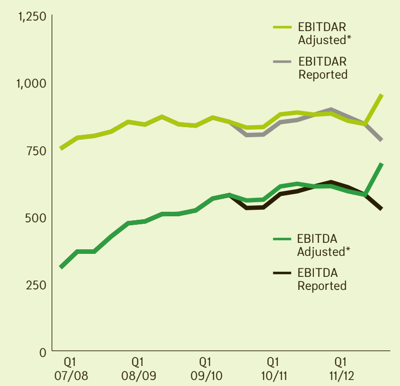
SALES BY BUSINESS AREA AND OPERATING PROFIT

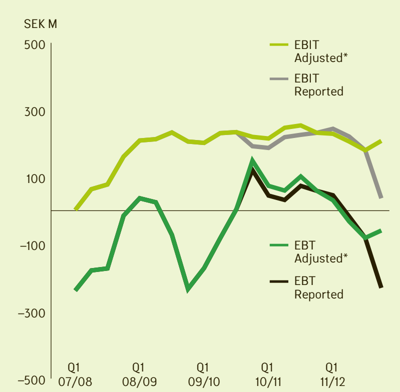


HISTORY OF TENDERS



EARNINGS TREND
Rolling four quarters





* Adjusted for one-off costs and non-recurring expenses

SEK M, unless otherwise stated	07/08	08/09	09/10	10/11	11/12
Sales	5,406	6,134	6,308	6,697	7,050
Operating profit/loss	161	206	192	232	37
Profit/Loss after net financial income/expense	–16	–233	121	59	–230
Profit/Loss after tax	–15	–239	121	59	–230
Cash flow	211	–59	–67	–91	–120
Cash and cash equivalents incl. restricted funds	529	558	472	335	260
Of which restricted funds	*74*	*141*	*141*	*110*	*153*
Equity/assets ratio, %	5.8	Neg	2.8	3.4	Neg
Shareholders' equity	210	–117	137	178	–43
Number of buses	3,376	3,505	3,553	3,618	3,437
Average number of employees	7,021	7,606	7,318	7,714	7,008
Revenue/bus	1.60	1.75	1.78	1.85	2.05

2011/2012 The year in review

The main features of the past year were Nobina's centenary celebration and the new Swedish Public Transport Act coming into effect. In terms of operations, the year featured major contract adjustments, chiefly in Sweden. In total, Nobina won traffic contracts comprising 650 buses while 517 of its own buses were exposed in tenderings; a net gain of 133 new buses for the full year.

NOBINA AND ITS BUSINESS ENVIRONMENT

ONE HUNDRED YEARS SINCE THE FIRST JOURNEY

This year marks the one hundredth anniversary of Nobina's first bus journey. To celebrate its anniversary, Nobina embarked on a bus tour in the summer to visit five cities to promote ideas and thoughts on future public transport. To round off the celebrations, a full-day event was organized at Berns in Stockholm, attended by Sweden's leading experts on public transport and community development, who shared their visions about future traveling.

NEW PUBLIC TRANSPORT ACT IN SWEDEN

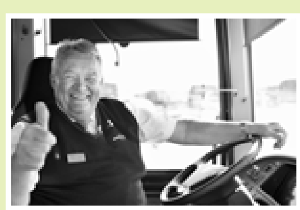
Nobina's centenary celebrations also marked a symbolic kick-off ahead of the new Swedish Public Transport Act, which came into effect in January 2012. A consequence of the new act is that regional public transport authorities replace the previous public transport authorities (PTAs). It is hard to fully discern how the new Swedish Public Transport Act will affect the market trend, but Nobina hopes for a structure that enables traffic solutions to be developed closer to the customer, based on local prerequisites.

100 years

KARLSTAD
ÖREBRO
SÖDERTÄLJE
SKÖVDE
LUND

THE BUS. CHASED, MISSED AND LOVED FOR 100 YEARS

Nobina's centenary was celebrated in many different ways – a bus tour, a full-day event at Berns, events, competitions, workshops, films and more.



AWARDS

SWEBUS DRIVER BEST IN THE COUNTRY

Sweden's best bus driver is Swebus driver Sabina Strömmare from Kil. She was awarded the gold medal in the 2011 Swedish Bus Drivers' Championship (Bussförar-SM). There was a record-high number of competitors – 407 in total. The competition was judged on a maneuvering test, a theoretical test, skid pan driving, a catastrophe drill, a test in economical driving and more. The Swedish Bus Drivers' Championship is arranged annually by Bussarbetsgivarna (the Swedish Bus and Coach Employers Association) in collaboration with periodicals Resforum and Trafikforum, Trafikcenter i Kumla, VDL Bus & Coach and Trygg Hansa.

NOBINA WINS THE GRAND TRAFFIC SAFETY PRIZE

Nobina was awarded the prize for achieving 77% approval for its buses in annual vehicle tests compared with the industry average of 55%. The outcome is based on long-term preventive maintenance efforts, greater expertise at repair shops and a close collaboration with Bilprovningen (The Swedish Motor Vehicle Inspection Company), initiated five years ago.

RECORD-HIGH CUSTOMER SATISFACTION

Swebus' rating in the customer satisfaction survey, Swedish Quality Index (SKI), increased from 69.6 to 71.0, which was the highest rating ever. The high level of customer availability, with a customer services department that is reachable around the clock, is one of the success factors. Buses are the mode of transportation in the Swedish Quality Index's personal transport survey with which customers are most satisfied, compared with train, air and taxi travel.

77%

approved buses in annual vehicle tests compared with the industry average of 55%.

RENEWAL

STRONGER ENVIRONMENTAL PROFILING

The Group's bus fleet underwent substantial renewal during the year. The new buses are adapted to the applicable traffic contracts, and are among the most environmentally friendly alternatives in the market. Nobina obtained through financial leasing a total of around SEK 798 million in new regional traffic buses. For instance, it purchased 56 lightweight buses for Helsinki, 101 biogas buses for the new traffic contracts in Skåne and Uppland, and 32 hybrid buses for Tromsö in northern Norway. Tromsö therefore now boasts the largest hybrid fleet in northern Europe.

EXCITING CONTRACTS

Nobina won several new contracts during the year, totaling 650 buses in several cities. 2,383 buses were tendered on the market in total, and Nobina submitted tenders for 1,514 buses. Furthermore, Nobina sold in a further 40 buses within existing contracts. Many of the gains related to maintaining Nobina's own traffic, such as in Uppland and Helsinki, where Nobina was given extended responsibility in connection with the tendering processes. Further traffic areas were publicly tendered for the first time, such as Tromsö. Many of the new contracts feature incentive-based remuneration structures with quality parameters, passenger volumes and customer satisfaction governing the variable revenues.

SWEBUS AT THE TOP AMONG SUSTAINABLE BRANDS

Swebus is the third best personal transport company in Sweden in terms of environmental efforts and social responsibility according to the brand survey carried out by Sustainable Brands. Also, Swebus is the transport company that has climbed the ranks most in the overall league of participating brands.

Sustainable Brands 2012

The year of change

With major renewal of the contract portfolio, a strong performance chiefly for our largest operation – Sweden, and an increasingly deregulated market, the past year went in the right direction in many respects. At the same time, the operations in Norway and Swebus faced major challenges, which placed a heavy burden on earnings for the year. We are now looking ahead to a year of tendering, offering us everything to win and nothing to lose in terms of contracts. Nobina will continue to drive the question about balanced risk distribution that makes it profitable to pursue traffic operations. And, we will continue to contribute to a sustainable society by simplifying the possibility for people to travel together.

The past year chiefly featured major contract adjustments in Sweden, which is home to Nobina's largest operations. On the whole, traffic comprising 600 buses was discontinued, while 600 new buses were launched into traffic at strategically important locations across the country. Our tenders for new contracts for the coming year gave a net gain of 133 buses. Group sales increased by SEK 353 million to SEK 7,050 million. However, earnings were heavily burdened, mainly by the Norwegian operation, which incurred serious operational and financial shortcomings. Swebus also faced major challenges. Besides the Swedish market, which is performing very well indeed, it is encouraging that both the Danish and Finnish operations are faring better than in the previous year. The Nordic market is undergoing major changes. Old concession contracts are expiring and contract terms are gradually improving. In light of this, Nobina's long-term plan remains firmly in place.

A YEAR OF TRAFFIC START-UPS, CONTRACT GAINS AND EFFICIENCY ENHANCEMENT

Sales for the Swedish operation increased by 10% in connection with the major traffic start-ups for the year at locations including Norrtälje, Uppland and Skåne. There were also several crucial contract gains, such as for Västtrafik and Skånetrafik, which come into effect in the current year and contribute to spreading the geographic mix in the portfolio. The organization coped with the adjustments very well indeed, and delivered strong earnings thanks to more efficient operation and lower maintenance costs this winter. Next year, none of our own traffic is expected to be subject to tendering, so the coming tendering processes only offer opportunities for Nobina.

The Danish operations are running according to plan with reduced losses, improved quality and higher efficiency in spite of a loss-bringing contact, higher diesel prices and negative indexation. The organization is starting to take shape under a new management, and bus fleet management is proceeding well. Following far-reaching discussions about the introduction of highway tolls in Copenhagen, it has now been decided instead to carry out investments worth billions of kronor in public transport in the coming years, which we look forward to.

Norway has suffered poorer efficiency and controls, partly caused by the contract changes, but also because of deficient leadership on our part and locally. The problems have been both financial and operational in nature. Inadequacy and a lack of consistent monitoring are two reasons for the lackluster performance. There has been a change in management and we are investing major personnel resources to bring order to the Norwegian operation, with a focus on leadership, efficacy and financial control. We need to find the right path to quick and lasting changes, and create a sense of involvement and responsibility in the organization. That said, I nevertheless emphasize the great potential we see in the Norwegian operation. An increasing number of cities are opening up for public tendering, and during the year Nobina won two important contracts in Tromsö and Oslo, both featuring a certain amount of incentive-based remuneration in the contracts.

The operations in Finland are doing better all the time and earnings improved thanks to resolute efficiency enhancement efforts and a focus on management issues, while maintenance costs remained high. The Finnish market conditions are challenging, but we see bright spots in the structural situation. An increasing amount of concession contracts are expiring, particularly in and around metropolitan regions, and Nobina is increasingly getting its voice heard in the dialog with PTAs. In Helsinki, the PTA has announced an environmental bonus. Here, Nobina has high hopes of being awarded a share thanks to its new environmentally friendly bus fleet.

During the year, Swebus saw declining demand and is working intensively on keeping customers, increasing flexibility and broadening the product offering. Competition from air and train travel is stiff. Charter travel reached a record level in 2011, car sales increased and a number of new short budget air routes were launched. SJ has countered the tougher market by reducing prices. Swebus maintains its focus on airport transfer and is developing its traffic-to-order offering based on its very strong brand.

TRAVEL OF THE FUTURE

During the year, the centenary of the first public transport bus trip in Sweden was celebrated with a series of workshops and other events that highlighted travel of the future. Our aim with the celebrations was to bring society's mobility into focus, and talk about

» Nobina sticks to its strategy to only submit tenders that carry profitability potential.

the big picture, visions and prerequisites. Regional everyday travel serves both the individual passenger and the community. There is tremendous value for society in predictable public transport used by more people. Far too many PTAs still blindly award contracts to parties offering traffic at the lowest price, and there is a lack of clear objectives for public transport and community planning at large. Public players win contracts at prices we cannot possibly match given the quality demanded by our customers. The trend has become unsustainable, however, and all major international players on the market have incurred losses in the last few years. Nobina sticks to its strategy to only submit tenders that carry profitability potential.

The most recent example was the tendering for county traffic in Kronoberg. Nobina opted not to participate because we believed that the shortcomings in the contract terms were too large, particularly in terms of the distribution of business risk. In a comparison, we can look at other major executors of public tenders. Nobina is the fourth largest player in publicly tendered assignments in Sweden. The three largest players are all construction companies. The conditions in the construction industry are completely different. There, it is a matter of course for the principal to compensate the executor in the event of contract deviations caused by external factors, such as in the event of snow clearance or altered conditions. The passenger transport industry speaks of the market share of public transport doubling by 2020. To reach this goal, the contracts terms between PTAs and the traffic companies must be developed. While the terms are gradually improving, the process is far too slow. More players must follow the industry's recommendations about how tenders and contracts should be structured to achieve increased travel, better quality, greater dedication from the traffic companies and, not least, a reasonable distribution of the business risk, making it possible to conduct traffic operations and offer added value to customers. Traffic companies like Nobina must contribute more to traffic development. Society needs more traffic for its money and passengers deserve more alternatives.

The new Public Transport Act is an important step along the way, but it is still too early to say much about the ultimate outcome. The industry structure is being reviewed organizationally and politically, and there will be a number of local complements. I also emphasize the cooperation with partners (Partnersamverkan) that has led to industry-wide recommendations for contract terms; Nobina has been a driving force in these efforts.

SUSTAINABLE OPERATIONS

We've been saying it for a hundred years – the way to a sustainable society starts on the bus in our world. This is truer today than it has ever been. It is therefore clear to us as a leading bus company to pursue sustainable operations spanning everything from traffic operation and maintenance to developing the offering for customers and society at large. In light of this, it is gratifying that the Swebus brand was ranked in third place among traffic companies in the Sustainable Brands survey for the second year in a row. As part of our sustainability work, this year we are starting to report a number of indicators from the operating activities in the section about Nobina's responsibility. Our ambition is to report fully according to the GRI model (Global Reporting Initiative) as of next year.

Up next, an eventful year is in store featuring major challenges chiefly for the Norwegian operation and Swebus. There will be many exciting tenderings in Sweden, and it will be interesting to follow how the Finnish and Danish operations unfold. Even though we do not know exactly how our market leadership will develop, we know that changes lie ahead. We also know that Nobina will be a player that takes on active responsibility and runs profitable traffic. We have the platform and the tools. At the end of the day, our plans can only be realized through the participation and dedication of our staff. Together we will help to simplify everyday travel for more people in a friendly, sustainable and affordable way.

Ragnar Norbäck
CEO

Public transport – part of everyday life

Public transport is a natural part of travel in a sustainable society. When people travel together, major gains are generated for society in areas such as the environment, employment, traffic safety and equality. A united industry is therefore working towards the goal of doubling the number of public transport trips by 2020.

THE TRAVEL TREND

PUBLIC TRANSPORT HAS EVERYTHING GOING FOR IT – BUT CHANGING PATTERNS TAKES TIME

Environmental considerations, leisure time and personal finances make bus or train transport more attractive than driving. Just five passengers on a bus, irrespective of fuel, contributes to reducing the environmental impact. But despite the fact that cars are expensive, create congestion and are a burden on the environment, driving is increasing at a faster rate than bus travel, because of its convenience, in all areas except metropolitan regions. In 2009, the average occupancy of buses in tendered traffic was eleven people in city traffic. Most people who do not use public transport do not know how it works or where it operates. Prejudices about travel times and disruptions make the threshold high. The efforts of politicians and traffic companies are failing to increase the market share of public transport. However, common improvement initiatives are currently taking place.

In the industry-wide project to double public transport, initiated by the Swedish Association of Local Authorities and Regions (SKL), and the Swedish Transport Administration (Trafikverket), the goal is to double travel by public transport by 2020. A doubling of public transport would reduce the carbon emissions of passenger traffic by more than one-fifth and provide an economic gain exceeding SEK 4 billion. In the longer term, market share shall be doubled from the current level of 20%. To reach this goal, PTAs and traffic companies must develop expertise and working methods and identify shared incentives. This is the background for the founding of industry company Fördubbling AB (Doubling) in 2011.

Partners in the collaboration for doubled public transport have agreed on an efficiency target aimed at creating the economic prerequisites to develop public transport operations aimed towards the doubling goal. One way of creating more efficient operation is to standardize the design of the vehicles used for public transport. Another is the index recommendations on which the industry is in agreement. A third way is to use functional requirements instead of detailed requirements in tendering processes. The Swedish Bus and Coach Federation (Bussbranschens Riksförbund) has long been promoting the requirement to enhance the efficiency of public transport by the traffic company assuming responsibility for schedule and circuit planning.

PRICING AND PRODUCT DEVELOPMENT

When times are tough, it is difficult for the government, municipalities and county councils to achieve a balanced budget, which reduces opportunities for public transport to receive higher appropriations. The economic climate also affects the funding of buses, which accounts for around 40% of the costs in contracts. All buses in the market today are

FACTS:

IN 2010, THE BUS INDUSTRY DEVELOPED JOINT CONTRACT RECOMMENDAITONS for public tendering. In its report »How tax money can last longer down the road» (Så räcker skattepengarna längre på vägen, March 2012), the Swedish Bus and Coach Federation (Bussbranschens Riksförbund) compiled information on the extent to which PTAs have complied with the recommendations.

- Only 12% of the PTAs adhere to the guidelines without making their own additions.
- Only 6% of the tenderings carried out in 2011 included a passenger incentive share of at least 25%.
- 47% only have functional environmental requirements.
- Barely one-third follow the index recommendations.
- In close to a quarter of the tenderings, responsibility for local marketing and schedule planning is delegated to the traffic company.
- In 41% of the tenderings, traffic planning was delegated to the traffic companies.

Source: Bus industry statistics 2012

FACTS:

THE BUS HAS A LOT GOING FOR IT

Traveling by bus is ten time safer than traveling by car. Sweden is at the cutting edge internationally in terms of bus safety. 90% of bus companies offer buses with seatbelts and provide safety information. 80% have a traffic safety policy.

- Buses reduce congestion on roads and streets in metropolitan regions. A bus with capacity for 50 passengers takes up much less space than around 35 cars (containing an average of 1.4 people per car).
- A bus consumes about 0.3 liters of fuel per kilometer and can accommodate 50 passengers.
- Buses are a flexible mode of transportation. When the everyday routines of people change, so does bus traffic. Buses can go anywhere where there are roads.

Source: Bus industry statistics 2012

» Buses are the most common mode of public transportation in Sweden.

custom-built since requirements vary from one client to another, and the continued low number of competing bus suppliers has a negative impact on pricing and product development.

In 2011, the majority of international traffic companies had low or negative profitability in their Nordic operations. Three out of the four largest bus companies incurred losses in 2011. All players, however, expect that the price scenario in the Nordic region will improve for traffic companies. The trend throughout the Nordic region is toward more incentive-driven contracts, which will increase travel and make offering public transport profitable. As more traffic areas are opened up for competition, the price scenario is expected to improve and benefit the traffic companies that can deliver high quality at a decent price.

A GROWING MARKET

Nobina's largest market is in metropolitan regions. The majority of people choose the bus sometimes and about 25% use public transport every day. Women travel by bus more often than men, while young people and pensioners travel by bus most frequently.

Since 1998, travel by local and regional public transport has increased 23%, from 1,042 million trips to 1,287 million. In the last ten years, the number of public transport trips per inhabitant has increased by 12%, or from 122 to 137 trips per inhabitant and year.

The Nordic market for public transport by bus is expected to keep growing in the years to come, and sales in 2010 amounted to around SEK 44 billion, of which regional traffic accounted for almost 90% and interregional traffic for just over one-tenth. The market saw a slight increase in 2011, chiefly in metropolitan regions.

TRAVEL IN THE NORDIC REGION

Traveling is on the rise in Sweden, and this applies to both car travel and public transport, buses being the most common mode of public transportation. Bus traffic accounted for around 59% of total public transport. That can be compared with the subway, which accounted for approximately one-third, and trains for 14% of trips. The new Swedish Public Transport Act will hopefully also contribute to increasing travel by public transport and greater freedom of choice for passengers.

The development of Norwegian public transport is behind that in Sweden and does not meet today's transport needs. The railway network is less developed than in Sweden and with expected population growth of 40% in and around the major cities in the next few years, public transport is under considerable pressure. In the next few years, large parts of the market are expected to be subject to competition, which means considerable opportunities for Nobina. In Norway, the number of public transport passengers increased by 1.3% in 2010. Bus traffic accounted for approximately 60% of total public transport, with that percentage remaining unchanged in recent years.

In Finland, travel by public transport in and around the capital increased by 2.2% in 2010. Bus traffic accounted for just over half of trips and increased 4% at the same time. That can be compared with the subway, which accounted for approximately 17.5% and trains for 14.4% of trips.

In Denmark, bus traffic accounted for around 40% in 2010. The amount of passengers has decreased since 2003 on the back of economic growth and heightened competition from cars as the primary mode of transportation. In a similar pattern, the number of bus trips increased by 2.4% in 2010 because of the financial crisis. The past two years have seen comprehensive changes to public transport in the form of cutbacks, structural changes and streamlining of both city and regional traffic. The fall of 2011 saw a shift in government in Denmark and a number of initiatives can affect the conditions for conducing public transport operations. For instance, the new government is expected to reinforce public transport, chiefly by means of lower ticket prices.

Overview of public transport in Sweden, Denmark, Norway and Finland 2011/2012

	All route-based public transport (train and bus)	Route-based public bus transport		Route-based public bus transport subject to competition		
	Market value SEK BN	No. buses	Market value SEK BN	No. buses	Regional traffic Market value SEK BN	Interregional traffic Market value SEK M
Sweden	39.6	7,511	15.4	7,221	14.7	750
Denmark	28.7	3,400	7.2	3,365	7.1	252
Norway	19.3	6,200	12.8	3,356	8.3	750
Finland	12.2	3,011	6.4	1,544	3.1	80
Total	**100**		**42**		**33**	**1,832**

Market values are Nobina's estimates.

How we got here – public transport in Sweden

THE 1960s AND 1970s featured a sharp downturn for public transport with the advent of the car. The traffic companies had exclusive rights and controlled pricing and traffic in relation to the PTAs in their respective traffic areas. Despite increased subsidies, poor co-ordination of schedules and complicated ticketing systems, it was hard to change the pattern and there was a great need to shift power away from the traffic companies onto politicians. In 1967, Storstockholms Lokaltrafik (SL) was formed and 1978 saw the transport authority reform.

THE 1980s The transport authority reform took effect, resulting in a coherent traffic offering established through public tendering, and new ticketing systems. We went from bus routes to bus systems, and public transport experienced a major surge thanks to the good economic climate and a political focus on getting more people to travel together. Thanks to the new coordinated traffic system, Stockholm dwellers could take a trip across the entire city for SEK 50 per month. People living in Jämtland no longer needed four different tickets to travel to and from work. However, the market did not undergo total deregulation until 1989, when the next public transport reform came into effect.

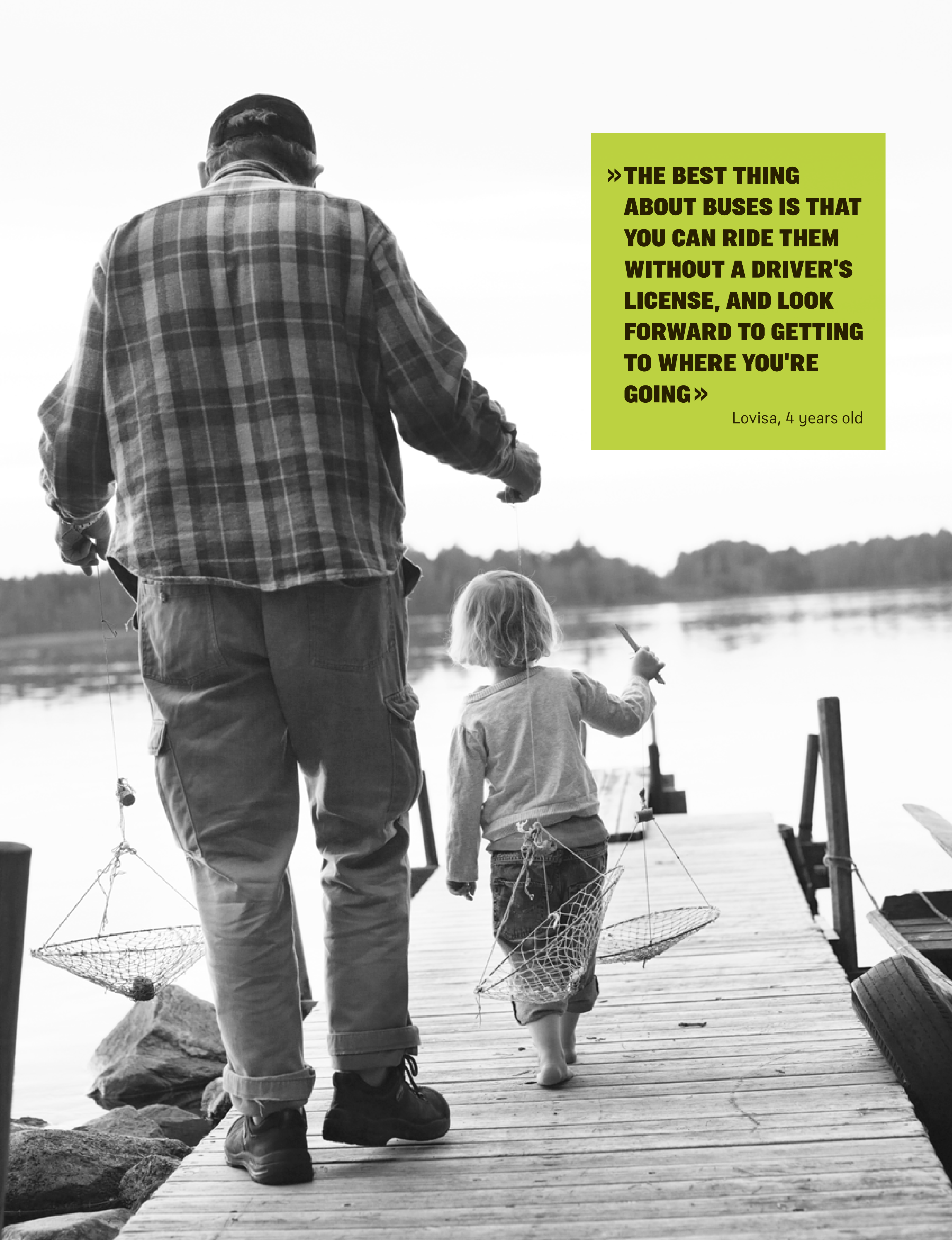
THE 1990s were rounded off with the concession contracts (with a few small exceptions) and traffic rights being transferred to the public transport authorities, which could now carry out public tendering for a desired offering, irrespective of old structures. The power shifted away from the traffic companies, which were forced to provide the same offering as before, but at much lower prices. Quality improved thanks to a new buyer perspective. However, pricing was unrealistic because of the stiff competition. The traffic companies were not sufficiently mature to properly assess the market and bought market shares at prices that were too low, with high hopes of profitable contracts. At the same time, tax revenues declined because of the financial crisis, draining the traffic companies, which had limited possibilities to influence the product. We are still witnessing the consequences of this trend today.

THE 2000s gave a clearer traffic offering, lower costs and higher quality. At the same time, the traffic companies incurred major losses and the open tendering process had turned into a complicated system that was limiting both for purchasers and the providers of bus services, because it focused more on details and costs than function and customer needs. There was increased focus globally on factors relating to the environment and climate, urbanization continued, fuel prices rocketed and congestion charges were introduced to improve accessibility. Following the government inquiry Koll Framåt (Look Forward) completed in 2007, the public transport industry agreed on a proposal for a joint action plan at the beginning of 2008 to double the market share of public transport in the short term, and travel by public transport by 2020.

THE 2010s have seen the development of the new Public Transport Act, which came into effect on 1 January 2012. The new legislation has a clearer customer perspective and more responsibility (hence greater incentives) for traffic companies. The legislation is based largely on models that were developed in the framework of the doubling effort, where the industry, with strong support from Nobina, has been active. The goal is to modernize public transport, create improved market dynamics and increase travel. Strategic decisions about public transport, which are often made today by county transport companies, shall be made through administrative formats for increased insight and improved coordination with other community planning. The purpose of the new legislation is to modernize public transport and adapt it to the EU's new regulations in the area. According to the new legislation, traffic companies can establish commercial public transport freely in all geographic market segments, with the aim of enhancing dynamics and contributing to a greater public transport offering and more traveling. At the same time, the regional public transport authority gains improved power to act efficiently in terms of functional aspects, and a clearer role and allocation of responsibility, according to the government. For passengers, the new legislation could lead to more travel alternatives and increased freedom of choice.

From then...

...to now.



»THE BEST THING ABOUT BUSES IS THAT YOU CAN RIDE THEM WITHOUT A DRIVER'S LICENSE, AND LOOK FORWARD TO GETTING TO WHERE YOU'RE GOING»

Lovisa, 4 years old

Regional traffic in the Nordic countries

Regional traffic features route-based, contracted county and city traffic for PTAs. The contracts extend over several years and involve secure revenues and close relationships between the traffic companies and the PTAs. The Nordic market is undergoing major upheaval, with ongoing consolidation and old concession contracts expiring. An increasing amount of traffic areas in the Nordic region are opening up for public tendering, and a new Public Transport Act has come into effect in Sweden, which will have an impact on the future market trend.

SWEDEN

SCOPE AND MARKET POSITION

In Sweden, Nobina is the market leader for regional traffic with one-third of the publicly tendered market, which is divided up into 20 PTAs and is worth approximately SEK 14 billion. SL is the largest PTA since Stockholm alone accounts for almost half of all Swedish public transport.

Other major players in the market are Keolis/Busslink, Arriva and Veolia. In 2011, Veolia transport was put up for sale because the group wants to focus on other areas than public transport. A good deal of takeovers, mergers and ownership changes have taken place among the small and medium-sized bus companies. There has been a growing number of member companies in joint action company Together, which now comprises 138 traffic companies within bus traffic.

PUBLIC TENDERING

Almost all route-based public transport by bus is tendered publicly. In certain cities, old concession contracts remain in place, limiting competition. According to the Swedish Public Procurement Act, the tendering authority shall accept the tender that has the lowest price or is the most advantageous financially in some other way. The latter means that the bidder can attempt to compensate a higher price with a higher level of quality. In recent years, public transport authorities have introduced assessments based on quality in addition to the quantitative comparison between received bids. In those instances, operational descriptions are also ranked and given weight equal to the tender price.

CONTRACT TERMS

The most common format on the Swedish market is the gross contract, with remuneration determined based on the number of kilometers and hours driven. However, the trend is headed towards incentive contracts, with the traffic company gaining greater influence over the traffic structure and also a higher share of the variable revenues.

DENMARK

SCOPE AND MARKET POSITION

Nobina's establishment of operations in Denmark in 2008 meant entering a geographic market that is worth approximately SEK 7.5 billion, or over 15% of the Nordic market for route-based public transport by bus. The Danish market is consolidated with five regions and six PTAs.

Bus and train traffic company Arriva, owned by Deutsche Bahn, is the market leader with around 35% of the market. Nobina is the sixth largest player with around 5% of the market, and it aims to continually strengthen its market position. During the year, two new small players emerged. Their entry added to price pressure and stiffer competition.

PUBLIC TENDERING

The Danish public transport by bus market was opened to competition in the early 1990s and currently all transport areas in the country are tendered. Quality is a more important factor than price in Denmark, and quality assessments are becoming increasingly common, which affects the format of tendering and is reflected in the rising bid prices.

CONTRACT TERMS

Thus far, variable remuneration is only applied to schedule hours, which can, in the long run, result in an imbalance in revenues relative to the trend for kilometer-based costs. This is the particularly the case when adjusting the offering. Nobina will work actively to change the terms of the variable revenues so that they are based on hours and kilometers, as they are in the rest of the Nordic region. However, incentive-based remuneration, with incentives for lower emissions and a higher number of satisfied customers, is gaining ground among PTAs, although such contracts are still in the minority.

Remuneration indexation is considered to work well in Denmark. Salaries are settled on a half-yearly basis and other elements such as fuel and maintenance are settled on a quarterly or monthly basis.

NORWAY

SCOPE AND MARKET POSITION

The Norwegian bus traffic market is fragmented with about 100 different players. Contracted regional traffic generates sales of around SEK 7 billion and constitutes about half of the total regional traffic market. The market leader is state-owned Nettbus/NSB with 26%, while Nobina is the fifth largest player with 13% of the market.

PUBLIC TENDERING

Since 1994, Norwegian PTAs have had the option, but not the obligation, to award traffic contracts through public tendering. The proportion of publicly tendered public transport in Norway is thus lower than in Sweden, but exceeded 50% in 2011 and is expected to increase by 500–800 buses annually in the next few years on the back of European public transport regulations. In addition, new legislation came into effect in 2009 regarding the formats of public tendering. As competition intensifies in Norway, scope for consolidation among the local bus companies is deemed to increase.

CONTRACT TERMS

The supporting documents for tenders specify, like in Sweden, the routes and schedules that the traffic company must cover. Gross contracts dominate regional traffic in Norway, particularly in the traffic areas where public tendering has recently commenced. Progress towards incentive contracts is slow, and in most contracts indexation is adjusted in arrears after a year, and does thus not provide full compensation for expenses during the period. However, the largest Oslo-based PTA Ruter offers contracts with half-yearly indexation.

Unlike the other Nordic countries, Norway applies tough financing requirements that prevent small players from participating in tendering processes. On the one hand, the PTAs demand that special traffic permits be obtained, which cost around SEK 50,000 per contracted vehicle, and on the other hand an amount corresponding to 10% of annual sales for a contract be deposited at a bank. This extensive tying up of capital is a significant barrier to free competition on the market.

FINLAND

SCOPE AND MARKET POSITION

The Finnish market for public transport by bus is worth approximately SEK 6.5 billion and is expected to grow by 15% over the next few years. Sharp price pressure has spurred on consolidation of the bus market in the capital region. The Helsinki area is Finland's largest regional traffic market. The market leader in the Helsinki region is the municipal player, Helsingfors Busstrafik (HELB) with 32% of the market. Nobina is the second largest with 31% of publicly tendered traffic. Then comes French Veolia, the state railway operator PohjolanLiikenne and finally WestendinLinjat.

PUBLIC TENDERING

Regional traffic in Finland was deregulated in the mid-1990s, although the only markets that are open to public tendering are the Helsinki, Tampere and Turku areas, which together comprise around 40% of the total market. Throughout the rest of Finland, public transport remains completely insulated from competition, benefiting small, local transport companies. As concession contracts expire, an increasing number of areas on the market become subject to competition. In 2016, more traffic areas on the market are expected to become subject to public tendering for the first time. This will apply to metropolitan regions, and also a number of small regions. In the Helsinki region, the number of publicly tendered buses is expected to increase from 1,300 currently to a total of 1,600, while Turku and Tampere will get a further hundred buses each.

Unlike in the other Nordic countries, publicly tendered contracts in Finland are normally awarded for each specific route, rather than for an entire regional or local network. Since the merger of several transport and environmental authorities in the Helsinki area, a single PTA, HRT Helsingfors Regionens Trafik, has been predominant since 2010.

CONTRACT TERMS

The Finnish market is behind the other Nordic countries in terms of the transition to incentive-controlled contracts. The five players on the market also compete in a price environment that requires a very high level of efficiency to generate an operating profit. However, it is assessed that the price situation will gradually improve.

Another challenge is the cost indexation that, although settled quarterly, is structured so that it does not fully cover the company's cost increases. This problem is shared by all traffic companies, and a joint dialog is being held with the PTA about the problem. An intensive dialog is also being held with HRT to develop a cost-neutral index and the statistics center in Finland is involved in these discussions.

Public tendering – how it works ...

1

A TRAFFIC AREA IS TENDERED ...

Politically controlled, publicly owned PTAs are responsible for regional traffic service, usually the municipality or county council. Regional traffic comprises regional traffic, city traffic and school bus traffic. In many parts of the Nordic region, individual PTAs and traffic companies hold exclusive rights for operation through old concession contracts. However, in more and more locations, traffic is being publicly tendered in accordance with the EU's new traffic regulations, which forbid concession contracts. As current concession contracts expire during the coming years, public transport throughout the Nordic countries will become competitive. Each year, more new traffic areas are tendered for the first time, such as in Norway and Finland.

2

... THROUGH A PUBLIC TENDERING PROCESS ...

In instances where traffic contracts are awarded in accordance with the Public Procurement Act, the PTA invites all interested traffic companies to participate in a public tendering. The conditions of the tender such as commercial terms, risk level and the development potential of the contract are crucial when Nobina enters a tendering process. Nobina carefully reviews the conditions in each tender request and only compiles tenders that allow for traffic with satisfactory quality, balanced financial risk and stable profitability.

Preparations for a tender are started well in advance and the traffic companies begin to hold general discussions with the relevant PTAs up to three years before the actual formal process begins. Special tendering teams create an accurate, comprehensive picture of the conditions year by year, for every individual case. Planning encompasses everything from capacity utilization and traffic planning to investments in employees, fuel, buses and depots. This thorough preliminary work combined with the sound traffic planning capabilities and efficient operation offered by Nobina are crucial to long-term profitability in a contract.

Nobina plays an active role in the industry dialog between traffic companies and PTAs to improve the correlation between goals and means in the tendering process – such as evaluation models and general terms for increased predictability and transparency. A few concrete results of these initiatives include standardized industry contract templates that were developed during 2010, and new types of quality evaluations that are now being used by an increasing number of PTAs in the tendering processes.

3

... THE PTA AND WINNING TRAFFIC COMPANY DRAW UP A CONTRACT ...

The contract between the PTA and the traffic company regulates how the traffic should be operated and is generally in force for five to eight years, with the option for an extension. The contracts regulate everything from schedules and ticket prices to bus appearance and fuel type. The aim is to make the contracts less geared to details and more to function, so that traffic companies can increasingly formulate their offerings according to their own evaluation of market needs.

The most common format is for the traffic company to receive payment in accordance with a gross contract. In this case, the PTA receives all ticket revenues, while remuneration for the traffic company is determined based on the number of kilometers and hours driven, which provides limited incentives to attract passengers in the short term. Net contracts are rare, and instead provide the majority of ticket revenues to the traffic companies, and benefit players who can run an efficient operation and attract more passengers. The disadvantage is that a traffic company cannot control offerings according to demand – that is carried out by the PTA. Finally, an incentive contract is a hybrid between a gross and a net contract and is becoming increasingly commonplace in the market. These are based on a gross contract but enable the traffic company to increase its revenues if the number of passengers increases.

4

... THEN THE TRAFFIC STARTS ROLLING

Once a company has negotiated a contract with a PTA and it has been signed, it is generally the case that the terms of the contract may not be renegotiated unless both parties mutually agree to the changes. Once traffic starts rolling, existing bus drivers and other operational employees usually switch over to the traffic company that wins the contract. This immediately eliminates costs for wages, insurance and pensions for employees at the bus company that is transferring the traffic. The incoming traffic company must offer employment to drivers in the pool that consists of the previous employees of the outgoing traffic company, before any potential new hires.

Most contracts contain the option of extension by one to three years, if the PTA informs the traffic company about this one year before the expiry of the original contract period.

... how we achieve profitability

REVENUES

At today's price levels, ticket revenues are insufficient to cover the PTAs' costs. The difference is funded through taxes. The rate of self-financing varies both nationally and over time, but is currently on average at 50–60% in the entire Nordic region, with local variations.

Common to the various types of traffic contracts is that changes in remuneration over time track an index that is intended to compensate the traffic company when the costs of, for example, fuel or salaries, increase. How often the index is adjusted varies slightly among the Nordic countries, but the trend is headed towards more frequent adjustments. In Denmark, the index is adjusted on an irregular basis depending on expense type. In Sweden and Finland, the index is adjusted on a quarterly basis, while in Norway increases to the index are not implemented until after a year.

COSTS

Pricing is usually the primary variable for traffic companies to stand out favorably in the tendering process, which, as a rule, benefits the large, more efficient traffic companies that can deliver transport services at low costs. As the largest bus traffic company in the Nordic region, Nobina has achieved significant savings by centralizing a large portion of purchases for each of the Group's operational subsidiaries. This means that the company can often tender contracts at price levels that are competitive, for example by seeking out advantageous terms for fuel, tires and spare parts for buses.

The dialog between suppliers and PTAs focuses increasingly on vehicle purchasing. The bus fleet accounts for around 40% of the contract cost, which includes fuel, tires and leasing expenses. Oftentimes the solution that a customer selects contains a combination of newly purchased buses and buses that have already been used in previous operations. Investments occur in advance of traffic start-up and the goal is to relocate or sell buses in conjunction with contract expiry. The more standardized the buses, the broader the area of application they have within the Group over time. PTAs' demands on buses can be very specific, however, when it comes to factors such as fuel type, seat coverings, door width or body color, which requires long-term planning in order to optimize usage. The requirements on buses are similar in the Nordic countries with the exception of Finland, which means that it is more difficult to relocate buses into or out of the country in conjunction with new contracts.

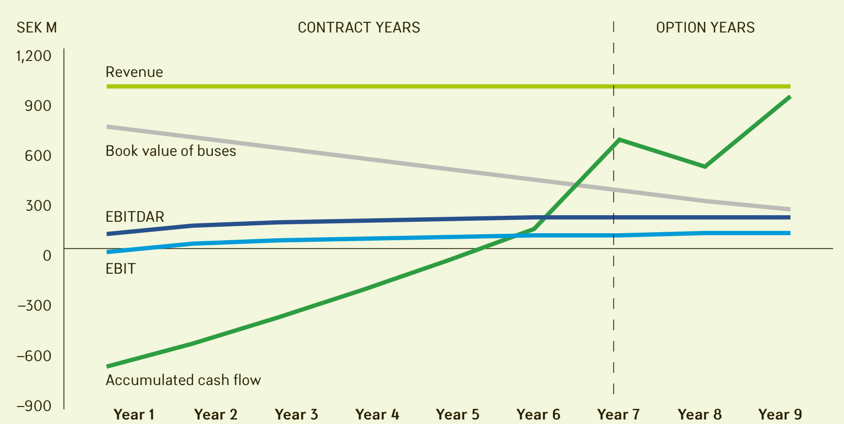
Specifications of fuel type and emissions levels are standard today in the supporting documents for tenders. In line with political targets, 40% of traffic is to be operated by buses that use renewable fuel in 2012, and the percentage is to increase to 90% by 2020. However, the requirements diverge between different PTAs. To reach the targets, the traffic companies must quickly adapt their bus fleets and increase the proportion of renewable fuel. This involves a cost increase and major adjustments for all traffic companies and PTAs. Nobina is intensifying its business intelligence and expertise enhancement within the area of fuel of the future, and is evaluating different alternative fuels in various collaborative projects with manufacturers and PTAs.

PROFITABILITY

Customer-specific solutions and the start-up of a new traffic contract often involve new investments in the bus fleet, in terms of both upgrading existing buses and purchasing new ones. Costs and revenues in the individual contract are hence unevenly distributed throughout the contract period. The same goes for profitability. Also, insufficient increases to the index can turn potential cost increases for fuel and salaries into a problem for the traffic companies. However, an accurately calculated contract combined with efficient operation generates profitability over the entire term of the contract. The contract portfolio's composition of new and existing contracts thus affects the overall profitability for the individual year. Nobina has around 146 traffic contracts of varying age and scope.

Bus fleet optimization, efficient traffic planning and a sound dialog with the PTA are the best roads to robust profitability. By avoiding empty distances, using environmentally friendly fuel, green driving and chiefly by increasing bus occupancy levels, emissions and costs decrease.

Profitability trend in a normal contract, seven years with a two-year extension option (fixed prices)



The interregional traffic market

Interregional traffic features buses that run according to a schedule on routes that cross at least one county border. Since Swedish deregulation in 1998, interregional traffic is conducted entirely on commercial terms, which has stimulated public transport through cheaper tickets and, not least, a welcome travel alternative.

Nobina defines interregional traffic as express traffic over distances greater than 100 kilometers. In certain regions, interregional transport is combined with regional or local public transport. In those instances, the PTAs compensate the bus companies for making a number of stops in proximity to a regular, local public transport bus route within a certain region.

Conditions vary more among the Nordic countries than they do for regional traffic. Nobina's interregional traffic operations are so far only offered in Sweden.

Nobina has a smoothly functioning business model for interregional bus traffic through Swebus, the market leader. In 2011, Swebus transported around 50% of all long-distance bus travelers in Sweden. The number two player on the market is Norwegian Netbuss Express, with around one-fifth of the market and operations in the framework of its two brands Bus4you and Gobybus. Third is Ybuss, a traffic company from the Norrland region, with around 7% of the market. The remaining portion is allocated among a number of small players.

FIERCE COMPETITION

The market for interregional traffic is usually deregulated, which means that traffic companies have full responsibility for all aspects of the service, including route planning, schedules and prices. There are no revenues from taxes or any traffic contracts with PTAs. All revenue comes directly from passengers and offerings are based on a strong brand, a good product and efficient distribution. This can be compared with regional traffic, which is entirely regulated by the PTA that purchases the service.

Competition in the long-haul travel market has intensified in the last few years. Budget airlines remain on the offensive, indirectly hitting hard at long-haul bus travel as the train operators launch new routes and reduce ticket prices in the struggle for airline passengers. On the Gothenburg–Malmö/Copenhagen route, competition between trains and buses is particularly fierce with three bus companies and two train operators competing for customers. SJ has decided to discontinue its traffic in April 2012 due to failing profitability and is instead launching train travel on the Stockholm–Jönköping route.

A DYNAMIC MARKET

Nobina estimates that the market for inter regional traffic will continue to grow as more routes are developed. Above all young people, but also pensioners and women, are major traveler categories for interregional traffic. A growing number of travelers appreciate the competitive service of buses compared to trains and airlines, saved costs through leaving their cars at home and, not least, the environmental perspective.

While trains are the undisputed market leaders for interregional traffic and are growing faster than express bus traffic, the dynamics are expected to increase in the market.

OTHER TYPES OF INTERREGIONAL TRAVEL

It is currently deemed that commuter traffic has limited development opportunities because most of the traffic is publicly funded. The new Public Transport Act, which came into effect in 2012, will to a certain extent improve opportunities for commercial commuter traffic.

Special trips to various events is another niche market that is attracting more and more players and passengers. This can encompass everything from the Book Fair to the Sweden Rock Festival to the Vasaloppet cross country ski race.

Even airport transfer traffic is a growing market, not least due to environmental requirements and high parking fees.

» All revenue comes directly from passengers and offerings are based on a strong brand, a good product and efficient distribution.

» IN FUTURE, I THINK PEOPLE WILL TRAVEL LIKE THEY DO NOW, BUT WILL BE A BIT KINDER TO NATURE. AND THAT TRAINS AND BUSES WILL BE MORE FUN AND MORE COLORFUL AND STUFF … »

Oscar, 4 years old

Glancing back and looking ahead

The summer of 2011 marked exactly a hundred years since Nobina made its first bus trip. To celebrate this, Nobina embarked on a bus tour during the year, with exhibitions and workshops in five Swedish cities. The celebrations were rounded off with a full-day seminar at Berns in Stockholm in December. Nobina invited politicians, designers, researchers, industry experts and foreign guest speakers to talk about public transport of the future.

PUBLIC TRANSPORT IS A CORE ELEMENT of society, and setting it up requires clear-cut visions and higher priority in city planning. Public transport must be commercialized and form part of state and community planning. There must, in a collaboration between various parties, be a shared endeavor to reach common goals.

Bo Engqvist, SAMOT (The Service and Market Oriented Transport Research Group)/Karlstad University

MANY CITIES LACK long-term travel visions. We have to see the entire chain – from kitchen table to desk – and everybody has to work together. Why do you walk to your garage and not to the bus stop? Also, we deter one-time buyers. There is no initial discount like there is in other industries trying to attract new customers. The customer must be in focus, and we must make being a customer easy.

Jan Bosaeus, MD Nobina Sweden

THE BUS OF THE FUTURE is also based on the vision for the entire traffic system. We must be bold enough to challenge, and not base our actions on what customers want at the present time.

Christoffer Hansén, Head of industrial design, Scania

CITIES ARE PLANNED based on the perspective of being able to leave them, not based on living there. Not having a car is, quite simply, a handicap. However, if you want innovative solutions, you can't ask people what they want, because their answer will be based on what they know. It has been said that Henry Ford asked the general public how they envisaged transport of the future, and got the reply that people wanted faster horses. In Karlstad, we have had a common steering group and shared goals, and achieved very large passenger increases.

Sören Bergerland, CEO Karlstadsbuss

THE INNOVATIONS ARE in developing countries. They can afford to focus on optimal solutions and are not stuck in old habits. Focus areas for development are new energy solutions and lightweight vehicles.

Serge Van Themsche, VP EMEAB, Bombardier Transportation

THE TREND IS URBANIZATION, coastification, clusterization and time optimization. The demands on public transport are mainly about user-friendliness – getting comfortably from A to B. Young people mix with each other on public transport – it's a social arena. Environmental aspects are important when you actually sit down and think about them or act in an environmentally aware manner. However, people do not want to make any extra effort, either financial or environmental. Tangible improvement potential for travel of the future lies in updated information systems.

Johanna Danielsson, Director Travel & Tourism, Kairos Future


Michael Snelling, Kent County Council


Anna Grönlund, The Swedish Bus and Coach Federation


Jerry Sanders, SkyTran Inc


Edward Jobson, Volvo Buses

WHAT HAPPENS WHEN different means are given a value? The city will be completely different following measures to eliminate cars from city centers in favor of public transport. But who will pay for it? It's remarkable that real estate owners do not pay for part of the financing, considering that the price of property will rise as a result of the measures. Real estate owners will benefit from the whole process. Joint efforts – joint financing.

Janne Sandahl, Senior Advisor, Newsec Retail and Urban Development, formerly professor at KTH and IHH

PUBLIC TRANSPORT IS COMPLETELY in keeping with the times. Cars are the biggest environmental burden, and people know that. However, the challenge is that we don't like change. There are so many with incentives to keep things as they are.

Jerry Sanders, CEO SkyTran Inc

WE WILL BUILD 100,000 new homes by 2030. Public transport must keep up with developments. We have a high proportion of public transport in an international perspective, but the challenge is the share not rising. Clear visions are required for people to opt out of cars.

Niklas Svensson, city planning strategist
City planning office, City of Stockholm

IT'S NOT ENOUGH to place demands on fuel. There must also be requirements regarding benefits and energy efficiency too. The Green Journey *(Den Gröna Resan)* is a good role model.

Edward Jobson,
Environment Manager, Volvo Buses

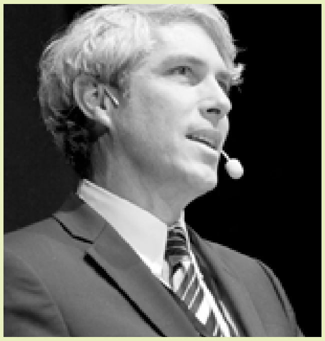
EVERYTHING WILL BE online in the future. People want to take their own lives and habits with them, rather than waiting for somebody to offer the right services. The transport industry must learn from the telecommunication industry in terms of smarter capacity utilization. Creating more experiences on public transport trips will be important, and easiest to ensure having contacts on buses…

Fredrik Magnusson,
Brand design manager, Ericsson


Jan Bosaeus, Nobina


Johanna Danielsson, Kairos Future


Jesper Johansson, Värmlandstrafik


Serge Van Themsche, Bombardier

Nobina: Sweden's leading bus company

Nobina's operations are conducted based on two principles: simplifying people's everyday travel and contributing to society's increased travel by public transport. The majority of everyday travel occurs in and around cities, and is carried out by assignment of PTAs. In addition to the regional operation, Nobina offers interregional travel under the Swebus brand. This part of the operation is run on commercial terms on a free market. Whatever the destination, the vision is for customers to choose Nobina, and also for more people to opt for public transport in general. The industry's goal is to double travel by public transport by 2020.

Nobina conducts regional traffic operations in Sweden, Norway, Finland and Denmark, while Swebus interregional traffic only has operations in Sweden. The Group has more than 7,000 employees who work with traffic planning, bus servicing, sales and training, but the majority work as bus drivers.

Nobina works systematically with getting closer to its vision – *everybody wants to travel with us* – by securing quality and efficiency in the operations. As the market is deregulated, it is increasingly important for Nobina to be clear about what makes it stand out on the market.

STABLE REVENUE MODEL

In its regional operations, Nobina applies a stable and predictable business model, where long-term contracts with PTAs account for over 90% of Group revenues. Remuneration is generally based on kilometers driven and/or hours and, in many cases, the number of buses in traffic, which generates stable revenue flows and low financial credit risk. Profitability is achieved through attractive tenders with growth potential, as well as effective operation during the term of the contract.

Nobina has historically won a high percentage of tenders and achieved success in efforts to influence the models that are used for revenue indexation, thereby reducing the risk of imbalance between revenues received and actual costs. As quality evaluations and incentive-based remuneration become increasingly common features of contracts, Nobina's responsibility and freedom to influence the passenger numbers, as well as revenues and expenses, expand.

In the interregional operations, all revenues come instead directly from passengers, which presupposes a strong offering, clear market communication and efficient sales channels.

LEADING MARKET POSITION

Nobina is the market leader in public transport services by bus in the Nordic region. A hundred years of operation have resulted in extensive knowledge, a tried-and-tested business model and a strong market position. These factors are valuable in the ongoing industry restructuring.

On 1 January 2012, new public transport legislation came into effect in Sweden, enabling traffic companies to freely establish commercial public transport anywhere in Sweden. The purpose of the reform is to increase public transport in society through a clearer customer perspective, greater responsibility and stronger incentives for the traffic companies.

At the same time, an increasing amount of traffic areas are opening up for public tendering in the rest of the Nordic region now that concession contracts are being phased out in line with applicable EU directives. Nobina has the right position and adequate size to become a leading force in the market's continued restructuring.

COMPREHENSIVE TRAFFIC PLANNING SKILLS

To achieve profitability in traffic contracts, thorough preliminary work and resource-efficient operation are required. The work involved in preparing a tender is started as early as one or two years before the tendering is officially announced. The strategy encompasses thorough analysis, careful calculations and creative solutions in close dialog with PTAs, industry bodies, employees and customers. The tender planners analyze travel patterns, market requirements and infrastructure, test drive the routes and review present and possible depot alternatives. The goal is to offer a simple, affordable and sustainable traffic solution for both the short and long term.

During the six- to eight-year period which is the normal term of contracts, Nobina develops traffic in close collaboration with PTAs and employee representatives to optimize schedules, routes and offerings. The most important feature of the traffic planning work is optimizing customer time. This is achieved by avoiding waiting time and superfluous driving, such as between different traffic routes or to and from depots. In contracts with revenue models partially governed by the number of passengers, Nobina also endeavors to offer added value to tempt more people to leave their cars at home in favor of taking the bus. All employees are encouraged to contribute to the development efforts through established routines and channels for suggestions and viewpoints.

» The goal is to offer a simple, affordable and sustainable traffic solution in both the short and long term.

OPTIMIZED BUS FLEET

Besides traffic planning, bus fleet optimization is an important tool in winning tenders and conducting profitable traffic operations. Nobina is the only traffic company in the Nordic market with its own centralized administration of buses. Nobina's success in optimizing the bus fleet depends on demands imposed on the buses by PTAs, Nobina's foresight in preliminary work ahead of tendering process, and how well the buses are serviced and maintained in everyday operations. Last but not least, the selected financing solution is important.

More than 99% of Nobina's total number of buses, 3,437, operate in traffic within the framework of contract traffic or through leasing to Swebus. When a bus is no longer needed in a contract, it can be transferred, sold or scrapped. External rentals occur only in exceptional cases, and only pending transfer of the buses. The more standardized the buses, the broader the area of application they have within the Group.

However, the PTAs specify everything from size, layout and appearance to environmental standard and average age. Also, the requirements vary from one traffic area to the next. This limits opportunities to standardize the bus fleet. Also, many PTAs want newly purchased buses and specify this in their request for tenders; if not expressly then indirectly by formulating requirements that presuppose purchasing.

So that it may nevertheless coordinate purchasing and optimize utilization in the Group, Nobina therefore opts to order buses that meet the requirements of several traffic areas. As the Nordic market is deregulated, the possibilities increase to adapt the bus fleet to market needs, long-term function and cost optimization. Additionally, an increasing number of PTAs choose to draw up function- based requirements on the fleet, enabling the traffic companies to structure innovative vehicle solutions that meet the requirements themselves.

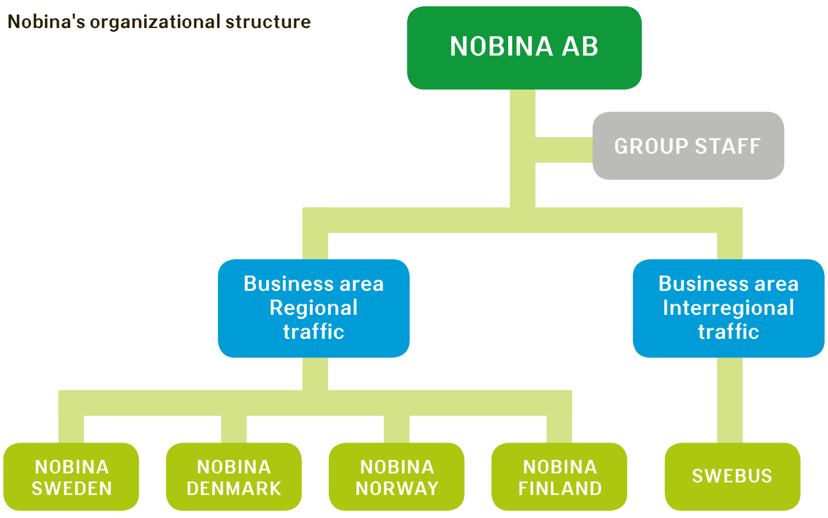
In the 2011/12 fiscal year, Nobina bought 396 buses, which is slightly above a normalized reinvestment level of around 260 buses, and sold 590. The average age of the fleet is 6.2 years, which is unchanged from the preceding year. The average age of the fleet is an important factor in assessing the Group's profitability level. At the end of the fiscal year, Nobina had a total of 3,437 buses, of which 482 were owned while 2,955 were leased through operational and financial contracts. Nobina uses financial leasing contracts, which optimizes cash flow from bus financing in line with contract remuneration.

STRONG CUSTOMER FOCUS

Nobina serves the individual and society. By contributing to making public transport attractive for individuals, the benefits increase for society at large – in terms of both the economy and the environment. As public transport is deregulated, it is increasingly important for traffic companies to stand out on the market in the eyes of PTAs and passengers, and also in employee recruitment initiatives. The operations therefore feature a strong customer focus and constant development of the offering. Contracts with PTAs usually extend over several years, so close and goal-oriented collaborations, which begin ahead of the tendering, can lead to significant improvements with regard to everything from more passengers to better traffic solutions and more beneficial contract models.

The interregional operation is run entirely on commercial terms, and Swebus has established channels to gage market needs. The offering of traffic, destinations and ticket prices is controlled by demand, and the offering is continuously developed through, for instance, new payment solutions, event travel, airport transfer traffic and different forms of service. With its flexibility and innovative thinking, Swebus is always quick to offer alternative transport in conjunction with traffic disruption.

Nobina's organizational structure



» Strong values and clear controls.

Over the course of the long-term traffic contracts, Nobina develops a close relationship with the PTA, which is a prerequisite for jointly developing the offering and thus increasing travel in the area. The flat organization with local decision-making power in each traffic area is one of Nobina's strengths. Independent traffic areas create sound customer relationships and strengthen local commitment and responsibility.

In spring 2012, Nobina had operations in 33 traffic areas in around a hundred locations. Each traffic area is managed by a traffic manager with a local management group. The traffic manager is responsible for the business and earnings of his or her traffic area. Drivers are divided into small groups with a group manager or operations manager as their immediate manager. The organization is structured to create efficiency and enable the exchange of expertise between the Group's operational areas in the Nordic region.

EFFICIENT OPERATIONAL CONTROL

Nobina has a comprehensive and systematic way of managing the operations. Its goal is more satisfied customers and profitability. By creating and updating clear operational depictions in the management system that affect the company's various functions on an ongoing basis, successful working methods are disseminated throughout the Group. This can apply to everything from how to run a bus check or park a bus, to how to greet customers stepping onto the bus, and so on.

NOBINA'S VALUES

WE ARE AVAILABLE FOR OUR CUSTOMERS We are receptive to our customers' needs and greet customers in a friendly and respectful manner. We keep our promises, develop economical solutions and make things easy for our customers.

WE CONTINUOUSLY PURSUE DEVELOPMENT We achieve our goals and deliver results. We are resource-efficient and maintain the promised quality at the very least. We work with target management and systematic follow-ups to continuously improve the company and our services.

WE RESPECT EACH OTHER We safeguard equality and treat each other in a friendly and respectful manner. Together, we create a safe and creative workplace environment that promotes initiatives and proposals for improvement. We react to a lack of respect for customers, each other and the company.

WE FOSTER STRONG LEADERSHIP We impose well-defined requirements on our managers and employees. We place the customers' and company's interests ahead of our own. We promote boundless partnerships. We provide feedback on completed work and recognize achievements. We can handle the trust.

WE CARE We take active responsibility for the environment and society. We encourage health and personal development. We comply with laws and regulations. We are committed and care about each other, our customers and our community.

ATTRACTIVE EMPLOYER

How Nobina is perceived as an employer is particularly important in recruiting new bus drivers and other staff, and also in tenderings. On more than one occasion, Nobina has been recommended by trade union representatives because of how it treats its employees. Efforts are evaluated with the help of employee surveys carried out each year, which demonstrate a high level of staff motivation.

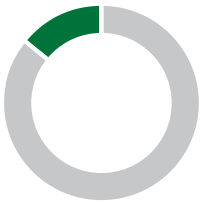
Professional development for employees

Nobina endeavors to be the most attractive employer in the industry, and constantly works on developing the commitment and motivation of staff. Nobina is a pioneer among traffic companies in offering systematic training, follow-up and feedback to all employees. For example, all staff are given an annual progress review, skills development and individual goals. Training takes place at different levels, both locally at each traffic area and centrally in the Group. Over the coming year, training in leadership and shared working methods will be added to the Nobina Academy and drivers' school.

Recruitment

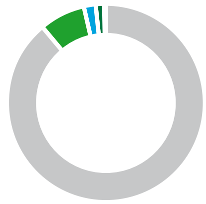
There is a shortage of bus drivers in Sweden/the Nordic region. Making the bus driver profession more popular, particularly among young people, is therefore at least equally important as being an attractive employer.

Employees



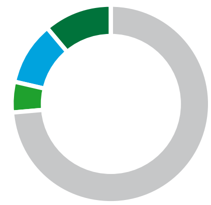
Men **86%** (85)
Women **14%** (15)

Skills areas



Bus drivers and driveradmin **89.7%** (91.5)
Workshops **7.5%** (4.3)
Company management, sales, market, HR, other **2.2%** (3.6)
Traffic planning **0.6%** (0.6)

Employees in different countries



Sweden **73.8%** (70.8)*
Denmark **5.0%** (4.9)
Norway **10.3%** (12.8)
Finland **10.9%** (11.5)

* Includes 6,407 employees at Nobina Sweden and 467 employees at Swebus.

One way is to create more flexible scheduling based on individual needs and wishes. Working methods are currently being tested in Landskrona, where drivers decide themselves when and how much they want to work from one period to the next. Another way of reaching young employees is to offer extra hours during evenings and at weekends. By focusing on targeted marketing and training sessions offered in the evening and at weekends for students in higher education, Nobina hopes to reach a completely new target group. In the preceding year, the Swedish Parliament adopted a new law regarding a lower age limit for bus drivers' licenses – 18 – which is expected to benefit the recruitment of young drivers for the industry. In the next few years, high school students who have completed the first bus driver's program are expected to graduate.

Capitalizing on talent

Besides recruiting new employees, a major challenge is managing to keep valuable employees in contract transfers, particularly for Nobina, which invests such a lot in employee development. The usual procedure is that existing staff are transferred to the new traffic company when a new traffic contract starts up, especially in cases where the old traffic company lacks other traffic assignments in the immediate vicinity. Nobina oversees systematic solutions to keep manager talent by, for instance, rotating work duties between the traffic assignments.

The Group, %	11/12	10/11
Short-term absence due to illness	1.10	1.28
Long-term healthy	35.78	35.46
Staff turnover	6.07	5.99
EMI *	86	-
EMI – response rate	63	-

* Employee Motivation Index

NOBINA'S IMPROVEMENT INITIATIVES

PROCESS TEAMS draw up work instructions for the entire group

The process teams are the Group's development groups consisting of staff from different areas of the operations. They establish goals and agree on appropriate working methods in the form of tangible and shared instructions for operating activities at Group companies. Follow-up of the instructions is performed in the framework of quality control and the established goals.

IMPROVEMENT MANAGERS evaluate the effect of the instructions

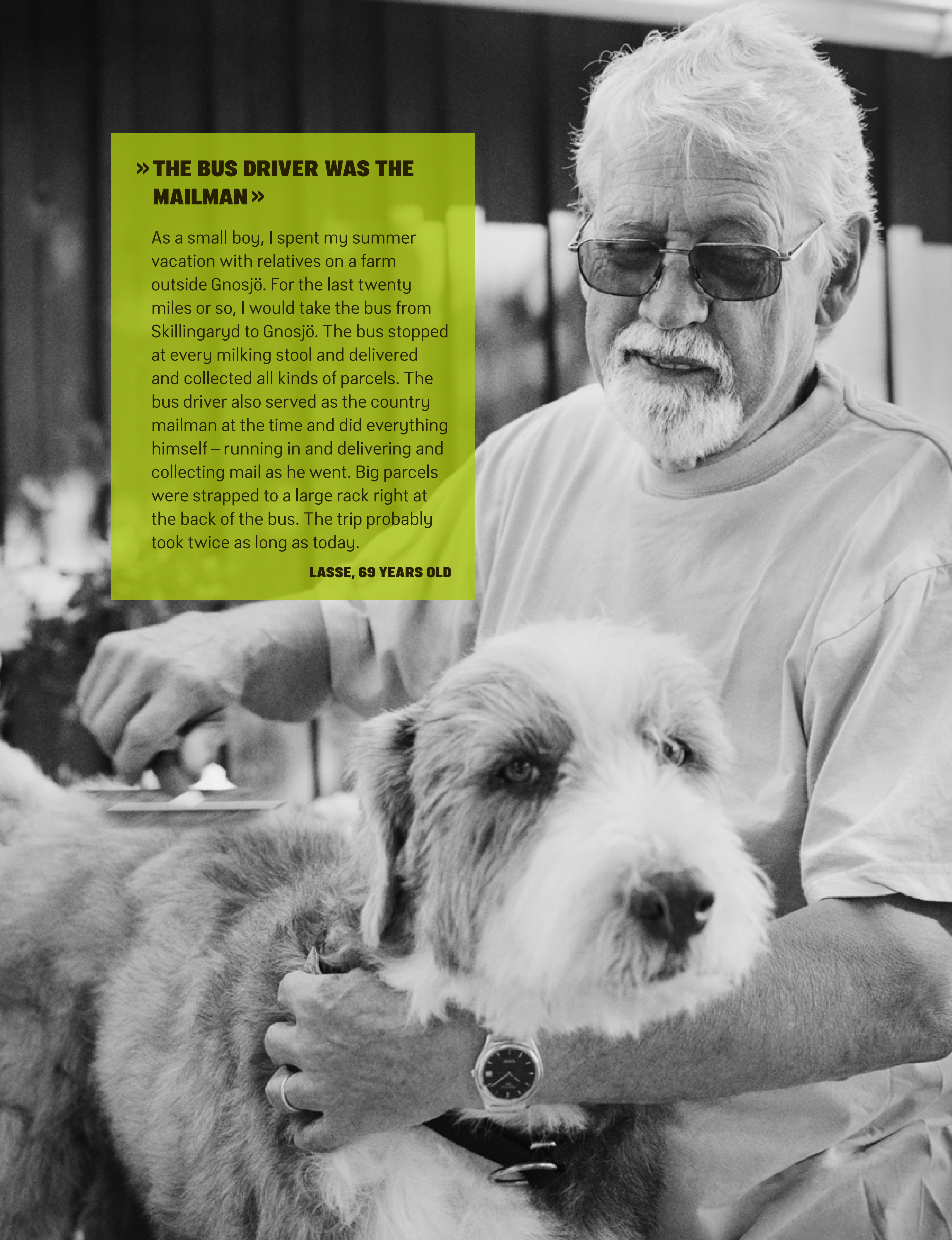
During what is known as improvement days, a team of improvement managers visits the various traffic areas to monitor and evaluate how the established working methods are applied in practice. Feedback is provided to the traffic area manager, who is then responsible for implementing measures where shortcomings were identified. The improvement managers are also responsible for following up on the results and ensuring that changes are made.

IMPROVEMENT GROUPS carry out local development projects

Everybody at Nobina shall have a chance to participate in operational development. The aim is for each manager to lead at least one improvement group with his or her staff represented. At the beginning of 2012, improvement initiatives were under way at around 20 locations in Sweden, Norway and Finland. This means that there is now a sufficient amount of active improvement groups and expertise for the managers of the various groups to travel around and coach each other. In 2012, a unique improvement initiative is starting up in Varberg, involving all drivers.

IMPROVEMENT COACHES manage the groups in the improvement initiatives

Improvement coaches are responsible for establishing the traffic areas' improvement initiatives alongside the traffic manager, and advancing them through active support throughout the operational meetings of all groups. They attend every other meeting for the six-month period required to establish sustainable improvement efforts. There were nine certified coaches at the beginning of 2012: seven in Sweden, two in Norway and three in Finland. The company plans to train its first coach in Denmark over the coming year.



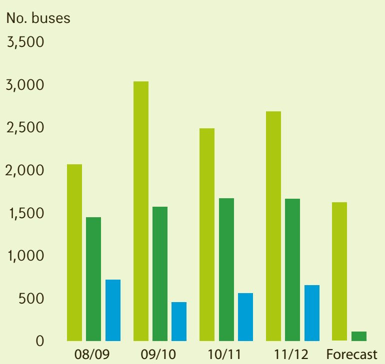
» THE BUS DRIVER WAS THE MAILMAN »

As a small boy, I spent my summer vacation with relatives on a farm outside Gnosjö. For the last twenty miles or so, I would take the bus from Skillingaryd to Gnosjö. The bus stopped at every milking stool and delivered and collected all kinds of parcels. The bus driver also served as the country mailman at the time and did everything himself – running in and delivering and collecting mail as he went. Big parcels were strapped to a large rack right at the back of the bus. The trip probably took twice as long as today.

LASSE, 69 YEARS OLD

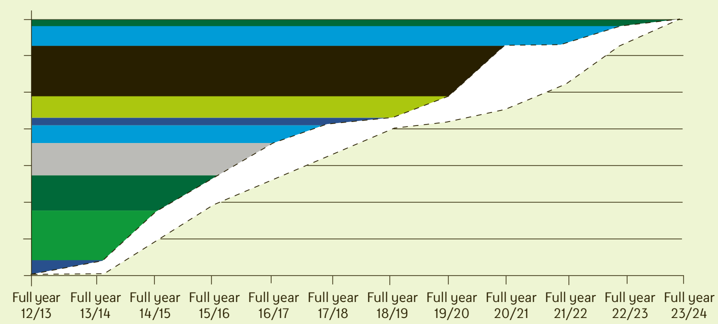
Contract portfolio Regional traffic

HISTORICAL TENDERING OVERVIEW



Number of buses tendered in the Nordic region
Number of tendered buses where Nobina has submitted a tender
Number of buses won by Nobina

SALES PER YEAR BY CONTRACT TERM



Sales per year available through option extension of contract

	Regional traffic Nobina 2011/12			
	No. buses	**Sales, SEK M**	**Operating profit, SEK M**	**Market share, buses subject to competition**
Sweden	2,028	4,905	295	28%
Denmark	132	325	–33	4%
Norway	444	718	–128	13%
Finland	440	775	12	32%
Total	**3,044**	**6,723**	**146**	
Share of Group		95%		

CONTRACT OVERVIEW NEXT TWELVE MONTHS

	Traffic start-ups, March 2012–February 2013					
Tender outcome by country	**Public transport**	**Type of contract**	**No. years**	**Traffic start-up**	**No. buses**	**Value (SEK M)**
Sweden	Upplands Lokaltrafik	Regional	10	June 2012	163	4,917
	Skånetrafiken	Regional	8	October 2012	13	260
	Skånetrafiken	Regional	8	October 2012	32	640
	Skånetrafiken	Regional	4	October 2012	17	160
	Västtrafik	Regional	8	December 2012	27	420
	Västtrafik	Regional	8	December 2012	46	839
Denmark	Movia	City	6	October 2012	10	163
Norway	Ruter	City	7	October 2012	78	1,749
Finland	HSL	City	7	August 2012	107	1,627
	HSL	City	7	February 2012	24	354
Total regional traffic					**517**	**11,129**

Sweden: Maintained portfolio with new content

Nobina is Sweden's largest player in public bus transport with close to one-third of the market for city and regional traffic. At the end of the fiscal year, Nobina had around 2,295 buses operating in traffic at about one hundred locations in the framework of contracts with 21 PTAs. The largest is the assignment for Skånetrafiken, comprising around 350 buses and about a thousand employees in total.

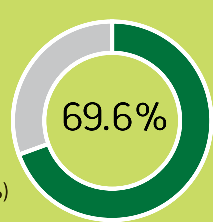
PERFORMANCE DURING THE YEAR

The year featured a major change in Nobina's contract portfolio and sales increased 10% on the preceding year to SEK 4,905 million. Operating profit rose 22% to SEK 295 million thanks to improved operational results from efficiency enhancement measures in the operations, and reduced extraordinary winter expenses at the end of the fiscal year.

During the year, the centenary of the first public transport bus trip in Sweden was celebrated with, for instance, a series of workshops that highlighted travel of the future. The centenary celebrations also marked a symbolic kick-off ahead of the new Swedish Public Transport Act, which came into effect in January 2012.

Sales	**SEK 4,905 M** (4,459)
Operating profit	**SEK 295 M** (242)
Market share	**28%**
No. passengers	**211 million**
Average no. employees	**4,621** (5,397)
No. buses	**2,295**
Driven kilometers	**187 million**
Commenced/ terminated contracts	**8/8**

Share of group sales



(66.6%)

A consequence of the new act is that regional PTAs replace the previous PTAs. It is hard to fully discern how the new Swedish Public Transport Act will affect the market trend, but Nobina hopes for a structure that enables traffic solutions to be developed closer to the customer, based on local prerequisites.

TRAFFIC

Tendering processes during the year largely comprised Nobina's own traffic and contributed to further renewal of the contract portfolio. Through winning contracts in Västsverige, Uppland and Skåne regions, the geographic mix of the portfolio is more diversified than before. At the same time, the proportion of contracts with quality evaluations and incentive-based remuneration is on the rise. This means that Nobina has increased responsibility for structuring traffic, while it can earn revenues from increased traveling at the same time.

In Skåne, Nobina received the highest possible rating in quality evaluations and added 80 regional buses to its successful city traffic in Malmö. Malmö is now the city that is home to most of Nobina's traffic, and Nobina is also the chief supplier to Skånetrafiken. The traffic is divided into several gross contracts, the longest of which has a term of over ten years. One project that is particularly exciting is the Bus rapid transit-system (BRT). Nobina is currently shaping up the project alongside Skånetrafiken and the City of Malmö, and it will be inaugurated in the fall of 2013. More information on the BRT system is provided on pages 44–45.

One of the most important contracts was maintained in Uppland where Nobina has had a lot of traffic in the framework of an interim contract since the summer of 2011, with 30% incentive-based remuneration and a very healthy earnings trend. The new contract has a 10-year term and comprises 136 new buses, which will all run on renewable fuel by 2020 at the latest.

Västtrafik is another major PTA that conducted several tenderings during the year. Nobina maintained its traffic in Göta Älvdal regarding 27 buses and won a further 46 buses in Tvåstad, Vänersborg and Trollhättan. The contracts have an eight-year term and feature strong passenger incentive, amounting to one-third of remuneration. In connection with the traffic start-up in December 2012, a gradual renewal of the bus fleet is under way with a maintained focus on environmentally friendly fuels such as biogas and RME. Also, a new double bus lane is being introduced from Vänersborg/Trollhättan to Gothenburg, which will simplify commuting and increase bus traffic in the region. Nobina will assume responsibility for local marketing and scheduling, which is completely in line with the new industry contracts that provide the traffic companies with extended responsibility beyond pure operation.

Nobina did not manage to maintain its traffic in Bromma in Stockholm, which was included in a large tendering for Storstockholms Lokaltrafik (SL), comprising both bus and tram traffic, traffic package E20. Nobina opted not to submit a tender because the contract terms were too risky in terms of business risk distribution.

For many years, Nobina enjoyed a successful collaboration with Karlstadbuss. Travel increased by 54% since Nobina took over the traffic in 2005. The contract is a good example of the changes that can be achieved in public transport with quality evaluations, incentive-

» The goal is to double the number of trips by 2020.

based remuneration and, not least, close collaboration with several parties, where traffic solutions are developed closer to the customer. However, Nobina did not manage to maintain the contract. A local player won the tendering based on a lower price. However, Nobina will bring this experience to new contracts and hopes to return to Karlstad in the future. The contract runs until the end of the summer 2012.

The new Norrtälje traffic is proceeding according to plan after a slow start with certain technical problems. The goal is to tempt more commuters to take the bus instead of their cars by focusing on local marketing and an attractive service concept, such as free breakfast, extra leg room, air conditioning and free Internet on board.

The contract with SL in Norrtälje is a net contract and remuneration is based solely on passenger numbers. Nobina thus has better scope to make decisions and implement customer-focused improvements. In return, Nobina receives a larger proportion of the remuneration, but also assumes a larger part of the risk because the possibilities of adapting price, location and product are still limited. The traffic companies must gain more influence over more contract parameters for the remuneration structure to fully bear fruit. Nobina therefore advocates a structure with fixed remuneration combined with a small proportion comprising a variable bonus.

The Swedish tenderings during the year involved a net reduction of 64 buses. Also, Nobina started up traffic with 431 buses and discontinued traffic with 495 buses.

EMPLOYEES

Nobina has 4,621 full-time employees in Sweden. Motivated and dedicated employees who work for constant improvement of the operations and customer offering are crucial to enhancing profitability. The organization is divided into small units that work actively with progress reviews, target matrices, regular feedback and, not least, evaluation matters. Also, twice a year audits are performed on how well the company applies its own instructions and policies, with the aim of securing compliance with these throughout the operations. Nobina has a major focus on leadership issues and offers different types of training for employees who demonstrate leadership capabilities and who want to advance in the company.

Nobina continually evaluates its efforts to enhance employee motivation and dedication through, for example, annual employee surveys. The survey for the year gave an EMI of 86. Another measure of how well Nobina takes care of its employees is absence due to illness, which decreased by 0.3% during the year.

BUSES

Nobina is the largest bus purchaser in the Nordic region, and 2011/2012 was no exception. In 2012, Nobina is starting up extensive regional traffic in, for instance, Skåne and Uppland. Ahead of the traffic start-ups, Nobina has ordered 121 new buses from Scania, 109 of which are biogas buses, and 76 new buses from Volvo. The new buses are adapted to the applicable traffic contracts, and are among the most environmentally friendly alternatives in the market. In the new contracts, Nobina will also use buses from its existing fleet of vehicles, which are being upgraded to meet the new environmental requirements. On the whole, the Swedish bus fleet consists of 2,295 buses, including ordered buses that will be delivered in connection with the traffic start-ups in Nobina's new contracts.

The tendering requirements regarding types of vehicles and emissions are generally getting stricter. Choice of fuel varies depending on the PTA, type of traffic and transport distances. However, biogas as a form of fuel is gaining ground. For example, both Västtrafik and Skånetrafiken require biogas in their tenderings. The trend of increased demand for biogas is similar in the rest of Sweden, besides diesel and RME. There is greater flexibility in Stockholm regarding choice of non-fossil fuels.

There is also interest in electrified traffic; trams are an option here, although they are expensive, time-consuming and limited. Instead, electric buses have a lot going for them, with charging stations at each bus stop. However, there is currently insufficient infrastructure for and experience of these vehicles and fuel type. Nobina is monitoring developments with great interest and is involved in several development projects.

Nobina focuses a great deal on maintenance issues, and for several years, the company has achieved the market's highest proportion of approved vehicle inspections by Svensk Bilprovning (The Swedish Motor Vehicle Inspection Company) – far above the industry average. The industry on average barely reaches 55%, while Nobina exceeds 80%. During the year, Nobina won the Grand Safety Prize thanks to these efforts.

Since 2010, all Stockholm-based operations have been ISO-certified as regards environment and quality and during the year, these efforts were extended to more traffic areas across the country.

FUTURE FOCUS

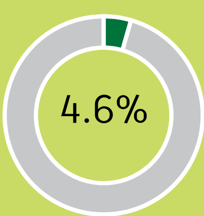
2012 will see the discontinuation of lost traffic, the start-up of won and maintained traffic, and also new tenderings. Following the changes in the contract portfolio over recent years, a year full of opportunity is now in store. 853 buses are to be tendered in Sweden during the year, and none of Nobina's own traffic is affected. This means that Nobina has nothing to lose, but everything to gain. Besides tender-related work, Nobina's focus on improvement initiatives and leadership matters continues. The ability to motivate employees is the single most important factor to achieve success.

Denmark: Better quality, higher efficiency

In four years, Nobina has established a stable position on the Danish market thanks to a well-developed offering, clear leadership and efficient operation. Nobina now has a total of six contracts and 151 buses in operation for two PTAs in the Danish regional traffic market. Ongoing efforts are under way internally to improve profitability and efficiency in the current contract portfolio pending new tenderings.

Sales	**SEK 325 M** (323)
Operating loss	**SEK –33 M** (–53)
Market share	**4.0%**
No. passengers	**16 million**
Average no. employees	**334** (355)
No. buses	**151**
Driven kilometers	**12.5 million**
Commenced/ terminated contracts	**1/0**

Share of group sales



(4.8%)

PERFORMANCE DURING THE YEAR

The Danish operations posted sales of SEK 325 million for 2011/2012, which was a slight improvement on the previous year. The operating outcome improved to SEK –33 million, which was a positive performance compared to the previous year, even though a loss was made chiefly due to an unprofitable contract. There was an overall improvement compared to the preceding year and the operations are gradually reaching improved quality and efficiency.

TRAFFIC

In December 2011, Nobina extended its traffic by ten buses in Hillerød, thanks to a contract win earlier in the year. Otherwise, tendering activity was low, while focus was on improving operations in operating activities. Nobina has sound relationships with its PTAs and actively participates in structuring the offering from market surveys to product development and marketing. In Copenhagen and Randers, collaboration has helped achieve better coordination and a closer dialog between Nobina and the PTAs. There is currently a joint effort under way aimed at better marketing to increase passenger numbers.

In 2012, more new tenderings are in store on the market when extension options for a number of large contracts expire. Tendering volumes are also expected to be more even in the years to come than they have been to date.

EMPLOYEES

In conjunction with the establishment of operations in Denmark in 2008, Nobina employed experienced personnel for both operations and administration through a combination of new recruitment initiatives and taking over staff at the start of new contracts. Efforts are still under way to reinforce the organization.

During the year, several new employees were recruited, including a business development manager. The new service comprises responsibility for tendering processes and the development of existing traffic in a close dialog with municipalities, regions and vehicle manufacturers. Also, Niels Peter Nilsen, formerly traffic manager in Copenhagen, was appointed new MD of Nobina in Denmark.

A core element in achieving better quality and more efficient operation is to secure the right expertise in the right place in the organization, and motivate staff to apply the Group-wide working methods based on Nobina's values.

The motivation and dedication of staff in their work is measured in the annual EMI survey, the results of which improved during

» In 2012, efforts continue to enhance profitability in the new contracts, improve efficiency in the organization and win more new contracts.

the year. In one traffic area, however, the outcome was poorer, which is a challenge for the coming year. Another positive factor was that absence due to illness decreased during the year.

During the fiscal year, Nobina had an average of 334 employees, and the recruitment situation is favorable. In contrast to Norway, for example, it is easy to recruit new bus drivers even though the requirements are higher than in the rest of the Nordic region, partly thanks to the economic climate.

BUSES

The Danish bus fleet currently consists of 151 buses, the majority of which are new with engine categories EEV and Euro 5. The year saw a major focus on maintenance work in the form of, for instance, two new service halls. This resulted in fewer damages, improved damage management and lower maintenance costs.

Nobina actively works with *The Green Journey (Den Gröna Resan)* concept in which fuel consumption is measured at the individual level. A unique collaboration is under way in two traffic contracts to report and reduce carbon dioxide emissions. By measuring diesel consumption per kilometer, the proportion of renewable energy, the proportion of customer time per departure and lastly the number of customers in the buses, the amount of emissions per customer kilometer can be reduced. In 2011, fuel consumption decreased by, for example, 13% in Randers, while the proportion of customer time per departure increased by 2.6%.

In terms of environmentally friendly fuels, the PTAs' will to pay is limited, however. On the one hand, the initial investment costs for the vehicles are higher, and on the other hand an additional special tax applies in connection with the use of alternative fuels.

The traffic companies are therefore pursuing an active dialog with municipalities and regions to highlight the positive effects for society of environmentally friendly public transport early on in the budgeting phase. It is hoped that the environmental perspective will carry greater weight among the PTAs, in terms of both setting goals and budgeting.

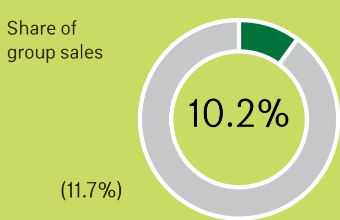
FUTURE FOCUS

In 2012, efforts continue to enhance profitability in the new contracts, improve the customer offering, increase efficiency in the organization and win more new contracts. Environmental and development issues continue to top the agenda and are an area in which Nobina cooperates closely with its PTAs. Nobina endeavors to constantly challenge the organization and old habits to continue to focus on what the organization does well, and achieve value-creating changes where needed.

Norway: Major challenges, major potential

Nobina's Norwegian regional traffic comprises around 520 buses in total for eight PTAs. Traffic is concentrated to the Oslo region, Hordaland on the west coast of Norway, and Tromsö in the north. Pending market deregulation, focus in the Norwegian operations is on improving the internal processes and creating the right conditions to win profitable contracts.

Sales	**SEK 718 M** (783)
Operating loss	**SEK –128 M** (21)
Market share	**13%**
No. passengers	**12.6 million**
Average no. employees	**843** (829)
No. buses	**520**
Driven kilometers	**23.2 million**
Commenced/ terminated contracts	**1/1**



PERFORMANCE DURING THE YEAR

The Norwegian operations had sales of SEK 718 million in 2011/2012, which was SEK 65 million lower than the previous year. The operating outcome deteriorated considerably from SEK 21 million to SEK –128 million due to high maintenance costs, sub-indexation and inefficiency in several contracts. In addition there were unexpected start-up costs for Tromsö and discontinuation costs for Gjövik. The overall outcome for the full year was burdened by impairment expenses of SEK 84 million for goodwill in the balance sheet, on top of the costs described above and a one-off charge of SEK 31 million.

TRAFFIC

In the past fiscal year, traffic was tendered amounting to 700 buses in Norway, with more traffic areas being publicly tendered for the first time. In total, the part of the bus market covered by public tenderings increased by around 7% in 2011. As a part of the ongoing changes on the market, fierce competition and price pressure characterize the tendering processes.

Nobina won one of the large traffic tenderings during the year for bus traffic in Oslo Vest, with around 78 buses and 230 employees. The contract has a seven-year term with the possibility of extension for three years, and had a total value of around NOK 1.5 billion. The Norwegian contract portfolio thus increased by around one-third. The contract includes a bonus based on customer-perceived quality, and amounts to a maximum of 8% of the contract value. Traffic in the area is characterized by a large amount of commuting with high capacity utilization on buses, which places demands on highly stable delivery to keep customers satisfied. The ambition is also to achieve an increase in passengers during the term of the contract, as there are plans for more new housing areas. The contract is of great symbolic value because Oslo traffic has been a significant part of the building of Nobina's operations in Norway in the past. After eight years' absence, Nobina is now back in the capital with traffic starting up in October 2012.

In addition, Nobina won the tendering for city and regional traffic in Tromsö in northern Norway, comprising 115 buses and around 300 employees. It was the first time that traffic in Tromsö was tendered publicly. The contract has a six-year term with the possibility of three one-year extensions and has a total value of around NOK 1.6 billion. This contract too has an element of incentive-based remuneration based on, for instance, the number of passengers and punctuality in traffic delivery. Traffic was started up in February 2012.

However, Nobina lost a certain amount of traffic under its own management in Hedmark and Gjövik – a total of 112 buses. The Gjövik traffic was discontinued at the turn of the year 2011/2012 and Hedmark

» As a part of the ongoing changes on the market, fierce competition and price pressure characterize the tenderings.

ceases in the summer of 2012. In 2012, Nobina does not need to maintain any traffic of its own, however, and therefore has everything to win in future tenderings.

EMPLOYEES

Nobina had 843 full-time employees in Norway in the 2011/2012 fiscal year. Efforts to enhance quality and efficiency in all channels continued throughout the year in the form of, for instance, training and improvement projects according to the Swedish model. However, a lot of development work still remains to be done. There are now two certified coaches who can lead the work in the improvement groups. Also, a new management was appointed with extensive experience from the bus industry and improvement processes alike.

Recruitment remains a key challenge in Norway. Unemployment is low and the bus driver profession needs to become more attractive. It is hoped that the age limit for bus drivers' licenses will be lowered to 18, like in Sweden.

BUSES

The Norwegian bus fleet consists of 520 vehicles. Diesel-powered vehicles are predominant with Nobina, but the market trend is clear – gas and hybrid buses in densely populated areas and diesel buses in sparsely populated regions. In general, new buses are sought with high levels of comfort and low emissions. In 2013, a new environmental requirement will be introduced in the Euro 6 standard for the vehicles. In the past few years, Nobina has renewed the oldest part of its Norwegian bus fleet and currently has a good mix of buses spanning an age range of one to twelve years. On the back of the new contract in Oslo Vest, the biggest biogas bus initiative thus far for route-based traffic in Oslo is under way. The contract comprises a major renewal of the bus fleet with a strong environmental profile and better comfort for customers. 51 out of the total number of 78 new buses will run on biogas, and the others on diesel. The buses will also be air-conditioned and accessibility-adapted. Nobina will therefore participate in establishing a completely new infrastructure for reliable gas deliveries and easy refueling of the gas buses.

The contract in Tromsö also involves considerable renewal of the bus fleet, with a stronger environmental profile, with 100 buses out of 115 being newly purchased. Of these, 30 are diesel hybrid buses and there is an option to trade in a further 30 gas buses after the initial traffic period. Tromsö thus has the biggest hybrid bus fleet i northern Europe.

FUTURE FOCUS

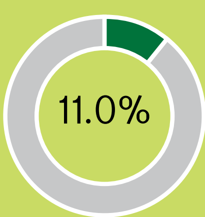
The coming year has in store extensive efficiency enhancement efforts throughout the entire Norwegian organization. A review of the contracts and comprehensive improvement activities for better efficiency in the organization are crucial to create profitable operations. The calculations for the new contracts in Oslo and Tromsö look positive.

Finland: A better year in many ways

Nobina's Finnish operations are primarily in the Helsinki area, which is the largest market for city and regional traffic. At the end of the fiscal year, Nobina had 29 contracts with 397 buses in the country. The Finnish operations are gradually becoming more profitable and market position is strengthening. At the same time, contract terms are improving as Nobina is increasingly getting its voice heard in the dialog with PTAs.

Sales	**SEK 775 M** (756)
Operating profit	**SEK 12 M** (7)
Market share	**32%**
No. passengers	**48.2 million**
Average no. employees	**915** (846)
No. buses	**397**
Driven kilometers	**34 million**
Commenced/ terminated contracts	**1/5**

Share of group sales



(11.3%)

PERFORMANCE DURING THE YEAR

The Finnish operations had sales of SEK 775 million, an increase of SEK 19 million from the preceding year. Operating profit also improved, amounting to SEK 12 million for 2011/2012 compared with SEK 7 million the previous year. Improved operational outcome from efficiency enhancement in the operations were counteracted by extraordinary winter costs in the fourth quarter.

TRAFFIC

During the year, a tendering was carried out in Helsinki in which 96 of Nobina's own buses were at stake. Nobina managed to maintain – and increase – its traffic and won a total of 107 buses. Nobina is thus once again the largest player in the Helsinki region, where HRT Helsingfors Regionens Trafik is the PTA. The tendering was won thanks to the thorough and creative efforts of Nobina's tendering team. The request for tenders was entirely based on functionality in terms of choice of vehicle, which enabled Nobina to propose a completely new type of lightweight bus. The new vehicles consume less fuel and have lower maintenance costs, which is expected to contribute to higher profitability than previously.

Turku also carried out a comprehensive tender, but Nobina lost to a local competitor who offered a price that was 25% lower. Despite the loss, Nobina is very satisfied with the thorough tendering work carried out, boding well for future tendering.

As of 2012, Nobina is a member of the Finnish bus federation and sees excellent opportunities to influence PTAs going forward. The federation is receiving significant financial support thanks to Nobina's membership, and has now recruited a person who will have a particular focus on improving the terms of tenderings.

EMPLOYEES

During the year, Nobina had just under 1,000 employees in its Finnish operations. All employees at Nobina Finland are represented by trade unions according to the terms of an industry-wide collective agreement. It is relatively easy to recruit both bus drivers and administrative personnel in Finland, and this has provided Nobina, as an attractive employer, with favorable prerequisites for operating efficient traffic with motivated employees.

For the past few years, leadership matters have been in focus, with satisfactory results.

» By working on the soft values, the hard indicators have improved. The results can be measured in fewer damages, reduced fuel consumption and lower absence due to illness.

Managers have much better contact with the drivers, and efforts relating to monitoring, feedback and progress reviews work well. The results can be measured in, for instance, fewer damages, reduced fuel consumption and lower absence due to illness. By working on the soft values, the hard indicators have improved. Now, more managers are being appointed so that each driver can have more time with his or her group manager. The Finnish operations have also introduced improvement groups, in line with the Swedish model. It is deemed that this is making a positive contribution to the developments already witnessed by the company.

BUSES

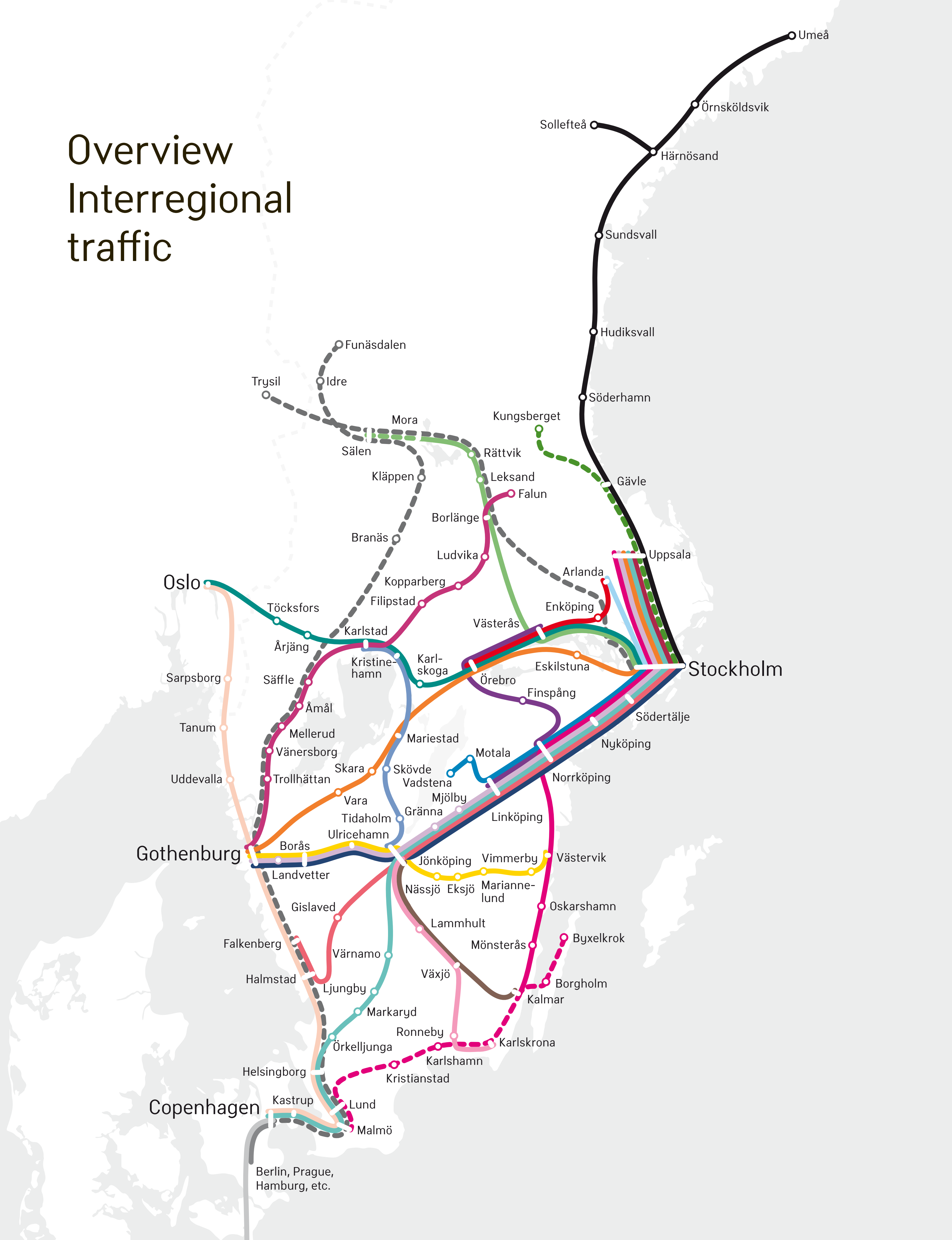
The Finnish bus fleet consists of 397 buses, and the most common type of bus is the Volvo 8700. Function-based requests for tenders that enable a freer choice of vehicle for the traffic company are becoming more common. In the new contract in the capital region, 56 lightweight buses from VDL Bus & Coach and 25 diesel buses from Volvo were chosen. The new buses provide Nobina with the right conditions to run environmentally friendly traffic with low fuel consumption and limited carbon dioxide emissions. More details in the design of the buses provide better accessibility, simplicity and heightened enjoyment for passengers.

Requirements on buses in Finland differ from the other Nordic countries, making it difficult to fully utilize the rest of the Group's fleet in conjunction with contract changes. Instead, Nobina invests in newly developed buses to meet PTAs' high environmental demands. In previous years, Nobina Finland has had buses that suffered various quality problems, causing certain problems in traffic deliveries. Negotiations with the supplier have led to the latter assuming responsibility in relation to the PTA.

FUTURE FOCUS

The Finnish operation is well-managed and gradually achieving higher profitability. Nonetheless, the operation is incurring high maintenance costs and sub-indexation. Efforts will therefore continue to reduce maintenance costs, prevent accidents and improve damage management. Now that Nobina is increasingly getting its voice heard in the dialog with PTAs, it hopes to achieve a considerable improvement in the terms of future tenders and contracts.

Overview Interregional traffic



Swebus: Declining demand and fierce competition

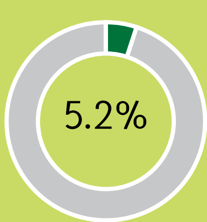
Swebus is the market leader in express bus traffic in Sweden, with around 2.2 million trips to over 150 destinations in Sweden, Norway, Denmark and Germany each year. The past year featured lower demand and stiffer competition from both trains and budget airlines. Swebus' focus is on enhancing efficiency and maintaining its market share, chiefly through launching new products and services based on its strong brand.

PERFORMANCE DURING THE YEAR

The 2011/2012 fiscal year was challenging for Swebus. Sales declined significantly from SEK 430 million to SEK 370 million compared with the previous year. The mild winter favored the train companies, and Swebus' strong ticket sales in connection with the ash cloud in 2010 were simply impossible to repeat. Also, both travel distance and bus occupancy decreased, while competition from trains and airlines stiffened, mainly from SJ, which strengthened its offering in relation to airlines. A challenge in the decline in travel distance is that revenues are negatively affected and efficiency is curbed. The operating outcome fell to SEK –4 million.

Sales	**SEK 370 M** (430)
Operating loss	**SEK –4 M** (40)
Market share	**50%**
No. passengers	**2.1 million**
Average no. employees	**242** (243)
No. buses	**74**
Driven kilometers	**16.4 million**
New routes	**2**

Share of group sales



(6.4%)

Earnings were burdened by costs attributable to aggressive future initiatives such as IT applications, airport transfer traffic and structural costs for personnel changes.

Swebus continues to broaden its offering, but the weaker performance will require further structural changes and efficiency measures to strengthen the company's market position.

OFFERING

Besides the ordinary express bus network, Swebus' own routes link up with connecting traffic, which is of great benefit to passengers as they can buy a ticket for the entire trip in one place. For example, Swebus works with bus companies Ybuss for trips to Norrland, Eurolines for European trips and Apollo for charter trips. Swebus trips are also included in Resplus, which connects a large part of Sweden's public transport into a single ticket, such as long-distance trains, regional trains, local and commuter trains, express buses, regional buses, city and local buses, subway, trams and ferries.

In the summer 2011, Swebus initiated a collaboration with Strömma Buss, the leading player in sightseeing and group excursions in Sweden. In an initial step, bus tickets were offered to Gutenlinjen, Strömma's ferry transfer service to the Gotland ferry from Oskarshamn. Later on in the summer, Swebus launched weekend trips to Poland in collaboration with Stena Line. Buses depart from locations such as Jönköping, Västervik and Halmstad to the ports at Karlskrona, where Stena Line's ferry takes passengers onward to Gdynia in Poland.

During the winter, trips to ski destinations Kungsberget and Sälen were launched, and collaboration on sales with Fjällexpressen/Strömma Buss, with trips to locations including Idre, Trysil and Lofsdalen. A special initiative was also launched to attract families with young children, with a family section on swebus.se, special family offers and buses with activities based on Disney characters Phineas & Ferb.

Swebus also continues to offer event trips. During the year, trips were arranged to the different phases of sporting event En Svensk Klassiker, computer gaming events, the book fair and several major music festivals.

STRONG BRAND AND SATISFIED CUSTOMERS

Swebus as a brand has a high level of recognition thanks to high availability, modern services and personal customer service. According to the consumer survey conducted each year, the brand has been continuously strengthened in recent years. Brand recognition among consumers is high. On the Swedish market, Swebus ranks in first place in 19 of the country's 21 counties.

Its rating in the customer satisfaction survey, Swedish Quality Index (SKI), increased from 69.6 to 71.0, which was the highest ever. Expert staff and a high level of accessibility to Swebus' customer service, which is reachable around the clock, are some of the success factors. Buses are the mode of transportation in the Swedish Quality Index's personal transport survey with which customers are most satisfied, compared with train, air and taxi travel.

Swebus is the third best personal transport company in Sweden in terms of environmental efforts and social responsibility according to the brand survey carried out by Sustainable Brands. Swebus is the transport company that has climbed the ranks most in the overall league of participating brands.

SALES AND PRICING

However, as a rule, Swebus is always a less expensive alternative than the corresponding train route when booking shortly prior to departure. In addition, discounts are offered for children, students and pensioners. During the year, SAMS was launched, a modern new module-based IT platform for information and ticket purchasing. It is a long-term investment to meet the demands of current and future passengers for around-the-clock service in various sales channels. From an operational point of view, SAMS entails improved opportunities to control and influence ticket sales for more efficient traffic production.

Swebus is one of a few traffic companies that apply a dynamic pricing model based on an IT system in which demand, pricing and resource needs are optimized to achieve the best results in the form of revenues per passenger kilometer. It is possible to book travel with dynamic pricing all the way up to departure. During the year, Swebus was also the first player in the industry to launch what is known as a price guarantee.

The website is a prioritized and effective channel for marketing and selling trips. During the year, swebus.se had seven million visitors, but the conversion rate remains low. About seven out of ten Swebus passengers book their trips in advance through one of Swebus' digital sales channels. Swebus also has operator status on SJ's website, which means that a bus trip with Swebus is presented in combination with or as an alternative to a train trip when requesting travel information.

Besides internet sales, Swebus offers cell phone ticket sales. The ticket is delivered directly to the phone and checked with the help of a special barcode reader on the bus. Tickets are also sold through ticket machines developed in-house, chiefly for airport transfer traffic.

Swebus also has a collaboration agreement with Reitan Servicehandel and its Pressbyrå and 7-Eleven stores in Sweden. Overall, this means that Swebus can sell its own and partners' tickets through over 600 sales representatives with national coverage, which is fully in line with its ambition to offer maximum availability. The main benefits of the collaboration are extensive opening hours, broad geographic coverage and better distribution.

AIRPORT TRANSFER

The airport transfer initiative between central Stockholm and Arlanda airport is unfolding according to plan. The airport transfer service is a long-term venture with a strong future outlook. The increased airline traffic and Arlanda's focus on environmental matters mean major potential for Swebus. Knowledge is increasing in the target group, and the proportion of customers who prebuy their transfer tickets is mainly on the rise through swebus.se, but also directly through Swebus' ticket machines at the bus stop. It is hoped that the bus stop locations will be better adapted to customers and neutral from a competition perspective.

Flygbussarna™ (Airport Coaches) and the Arlanda Express train have well-established brands and offerings on the same route. The Swebus airport transfer product is a through trip with no stops. Free internet connection and 220V power sockets are available on the buses. Swebus also offers airport transfer traffic on the Örebro–Västerås–Arlanda route.

Since Swebus launched its bus route, the heightened competition on the market has contributed to the market price for an adult ticket decreasing by 17%. Swedavia (formerly Luftfartsverket) has, however, announced its intention to introduce a supplementary fee for buses to and from Arlanda, which will force Swebus to increase the price of the bus ticket. Swebus fears that this will lead to fewer people opting to take the more environmentally friendly bus to the airport, in favor of cars.

BUSES

In line with the ambition to reduce the company's fixed costs, during the year Swebus continued to reduce the proportion of its own vehicles in parallel with an increase in leased capacity as needed. With 74 buses of its own, Swebus nevertheless remains the single largest player in the industry. In the fiscal year, no new buses were brought into operation, while 17 old buses in a lower environmental category were phased out. All buses had seatbelts, alcohol locks, air conditioning, restrooms, internet connection and power sockets for charging cell phones and computers.

STRONG FAITH IN EMPLOYEES

Swebus has strong faith in the company, its products and employees. The company has a low rate of employee turnover and sickness absence, and motivated employees. The percentage of long-term healthy employees, meaning employees who have not had a sick day in 12 months, is more than 50%. According to Swebus' employee index, 98% of employees believe that there are conditions in their working situation that support motivation and commitment, and that there are hence few obstacles to strong development and improvement work. Management often visits the operations and traffic with the aim of increasing participation in the company and promoting open internal communications. Also, a Swebus employee won the award for Sweden's best bus driver during the year.

FUTURE FOCUS

The future holds major initiatives to bolster Swebus' position on the market. Focus is on a stronger offering and more cost-efficient traffic production, which, combined, will help increase perceived value for money among passengers.

Swebus sees growth potential in the traffic-to-order segment. An evaluation is currently under way for a "rent-a-bus" concept, with priority partner collaborations regarding fixed driving assignments, extra traffic and traffic-to-order. The aim is to supplement the main operations while at the same time increasing flexibility in production, all the while maintaining focus on Swebus as a brand.

» I THINK THE BUS DRIVER SHOULD HAVE BETTER MUSIC ON IN THE BUS. THEN, EVERYBODY COULD DANCE. I DANCE MUCH BETTER THAN NINA AT SCHOOL »

Olga, 6 years old

Responsibility for the environment and safety

As interest in sustainability issues increases, more and more people are choosing to travel by public transport. Nobina's operations therefore require responsibility for the environment and safety, and also for employees and customers. The better Nobina can be at safeguarding the environment by having filled buses and beneficial driving, the better for the environment and economy.

APPROACH

As a Nordic market leader in public transport by bus, Nobina has significant opportunities to influence the environment in a positive manner. In traffic, not only new fuels but also new technologies, effective maintenance and economic driving contribute to increased sustainability. Nobina's sustainability work therefore rests on the expertise built up in the operations.

Experiences from the contracts and opportunities of improving their terms as regards the environment, economy and social development, are used to influence the structure of future contracts. Important forums for influencing these terms are chiefly the various industry organizations of which Nobina is a member.

STRATEGY

Nobina assumes responsibility by acting on two levels – influencing the terms of contracts in the long term, and influence during current operation. The long-term approach focuses on the development of competitive products and marketing them to PTAs, and the short-term approach is about using existing resources as efficiently as possible.

GOALS AND MEASURABILITY

Nobina has an environmental council comprising the environmental managers in the various operations. The environmental council aims to help formulate, communicate and promote support of environmental targets and work methods in a manner that reflects the ambitions in the area.

Nobina reviews its environmental and safety targets at least once a year when the business plan is updated. Monthly follow-up of the targets is performed. Continuous environmental audits analyze the company's environmental efforts and their results. The effects of the sustainability work are measured in a newly introduced brand poll. This measures customer satisfaction, employee motivation and satisfaction of the PTAs.

ENVIRONMENT

The environmental aspect should be considered in each employee's everyday work routines – from recruitment to skills analyses and progress reviews. Nobina generally endeavors to optimize its resources in operations to maximize competitiveness while limiting the environmental impact. Also, a number of practical measures are undertaken to enhance environmental expertise in the Group. The successes are evaluated in regular in-house checks and internal audits.

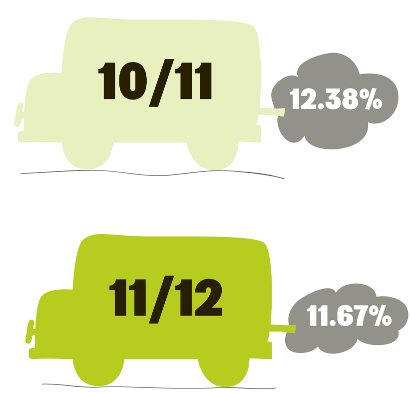
Smart traffic planning

In addition to getting more people to choose buses as their mode of transportation, the key aspect is to drive fully occupied buses. Nobina buses drive a total distance every day that corresponds to 15 trips around the world. This means that every kilometer or minute that a bus drives without passengers is negative both for the economy and the environment. Therefore, smart traffic planning is an important tool for reducing emissions. Optimized schedules that minimize lost time and driving empty buses helps to reduce the environmental impact. With minimum distances between bus garages and their first stop, the environmental impact can be reduced even more. An example of how long-term marketing can affect bus occupancy is the incentive-based Norrtälje contract started by Nobina in 2011, where remuneration for commuter routes is based on the number of boarding passengers.

Nobina is a member of the following industry organizations

1. The Swedish Bus and Coach Employers Association (BUA)
2. The Swedish Bus and Coach Federation (BR)
3. The Confederation of Swedish Enterprise (Svenskt Näringsliv)
4. The Stockholm Chamber of Commerce

Proportion of driving of empty buses



Calculated based on planned traffic. Journeys at bus washes/workshops, bus changeovers or relocations are not included.

Increased knowledge

Particle emissions comprise an area where everybody – bus suppliers, traffic companies and researchers – all need to increase their knowledge. Observations and experience are partly contradictory and closer cooperation is needed between the parties to resolve the problems. The work extends internally at Nobina through driver training focused on economical driving, such as driving empty buses and idling, to special courses for employees in the workshops and traffic management that are focused on environmental awareness and economical utilization of energy, water, cleaning agents and chemicals in conjunction with service. For example, in Norrtälje Nobina managed to reduce water consumption and use of chemicals by 80–90% during the year by applying a new steam wash cleaning method in the double deckers.

Renewable fuel

The bus transport industry organization in Sweden has established goals for energy consumption that correspond to political objectives. To meet these goals and the requirements of PTAs, traffic companies must quickly increase their percentage of renewable fuel. Accordingly, Nobina is intensifying its development of expertise in the area of fuels of the future. The electrification of traffic and buses that run on biogas are two clear trends among PTAs. However, the circumstances currently diverge in terms of delivering reliable traffic using these types of fuel in all traffic areas. This relates to items such as gas depositories and infrastructure for terrestrial electricity supply. However, Nobina is evaluating future possibilities alongside the PTAs.

Emissions

When the environmental council was formed, Group management prioritized working areas such as particle emissions and fuel consumption. Nobina's target is to reduce emissions of greenhouse gases by one-fifth per passenger kilometer compared to fiscal year 2010/11.

In 2007, Nobina initiated a research project at the University of Linköping to evaluate the environmental effects of alternative tendering models that would enable the traffic companies themselves to plan resource utilization in relation to actual needs. The results indicate that emissions can be reduced by close to half by using fewer vehicles or combining different vehicle sizes in traffic. The costs of this would, at worst, rise 10% according to the same research project. There are possibilities to reduce costs by improving planning conditions. This could be achieved by expanding the planning area, for example, to take better advantage of coordination effects and economies of scale. However, this presupposes that the traffic companies have a higher degree of freedom than that enabled by current bus traffic tenderings in terms of deciding on the type of buses to be used on the routes at different times.

Measurable driving

There are both clear operational goals and financial incentives to limit fuel consumption in current contracts. In Sweden, Nobina has developed a concept to train drivers to drive in a more energy-efficient manager, resulting in reduced fuel consumption. The concept is called *The Green Journey (Den Gröna Resan)*. There is measurement equipment on board each bus that monitors how successful each individual driver is in his or her efforts to drive beneficially by registering fuel consumption, acceleration, braking, etc. The traffic area's environmental coach then follows up on this data each month and goes through the results with the drivers. Analyses show that fuel consumption declines 5–7%, hence also reducing emissions to air. Every driver's individual efforts are secured in a manner that is unprecedented in the bus industry.

Emissions in relation to km driven	11/12
Fossil carbon dioxide (CO_2)	0.87 kg/km
Nitric oxides (Nox)	4.25 g/km
Hydrocarbons (HC)	0.04 g/km
Particles (PM)	0.02 g/km

Nobina started measurements in 2011/2012

The Green Journey, TGJ (Den Gröna Resan)	11/12	10/11
Invested in TGJ, SEK		
Sweden	3,350,512	4,183,467
Finland	344,850	0
Swebus	16,251	43,743
Total invested in TGJ	**3,711,613**	**4,227,210**
Buses with TGJ equipment, no.		
Number in Sweden	337	253
Number in Finland	16	0
Number at Swebus	3	3
Total buses with TGJ equipment	**356**	**256**

» For example, water consumption and use of chemicals in Norrtälje decreased by 80–90% during the year, by applying a new steam wash cleaning method in the double deckers.

Number of ISO-certified traffic areas in the Group	11/12	10/11	Total number of traffic areas
Sweden	7	5	22
Denmark	0	0	2
Norway	5	6	7
Finland	3	3	3

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

ISO certification

In Norway and Finland, Nobina has held ISO 14001 environmental certification for several years. A program has been under way in Sweden since 2009 to complete ISO certification of the traffic areas. This work applies to both quality (ISO9001) and the environment (ISO14001). At the end of 2011, the head office, all traffic areas in Stockholm and four traffic areas in the country had been ISO-certified.

SAFETY

Nobina's safety policy states that the company should be a role model for traffic. A high level of safety is fundamental to all of Nobina's traffic and all other operational activities. Punctuality is a key parameter for the everyday bus trip, but safety and security have the highest priority, even higher than comfort and convenience. Safety work is conducted systematically and integrated with other areas of business operations. A Group-wide safety council was established in 2008.

Safety work

The active safety work comprises following up on various traffic incidents such as threats and violence to customers or staff. An in-house developed data system processes the information and contributes to the development of a safe and secure environment in which traffic operates without disruptions.

Nobina will start applying the French Du Pont model in its safety work. The method is based on identifying risk behavior through measurements and discussions regarding stress threshold and risk appetite early on in recruiting and selecting new staff.

For two years, the security departments of Nobina's four countries of operation have been carrying out what is known as safety days located in all traffic areas. The program provides a type of method support, but also an opportunity to examine how well safety procedures work. Accidents will sometimes happen nevertheless, as well as acts of vandalism.

Risk management and crisis preparedness

Every company and traffic area at Nobina has a contingency plan that can be mobilized quickly in crisis situations. Each company follows a Group-wide crisis plan that is activated in the event of serious incidents, such as accidents resulting in personal injury or major material damage. The crisis plan describes how the functions affected, from bus drivers to operations management and central crisis management, are to act in the event of crises and accidents, and how internal and external communication shall be conducted. To ensure that the crisis plan works and is adhered to, the Group companies and traffic areas carry out crisis exercises at least twice a year.

In areas with a higher security risk, such as the suburbs of Malmö where Nobina has some of its traffic, Nobina works together with the police and local authorities to ensure a rapid flow of information in threatening situations. In addition, various social projects are under way with the youth of the risk areas, aimed at increasing safety and strengthening their relationship with public transport.

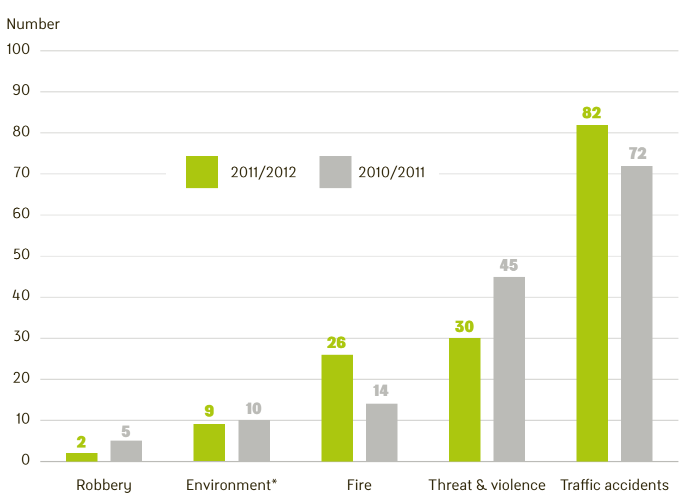
Awards

Nobina has received awards for its Swedish traffic safety work, which includes several thousand proprietary speed controls and has resulted in reduced speeds. In the last two years, the buses have had the best results in the industry in annual vehicle testing. Every bus is also subject to a daily 29-point safety check that is performed before entering service for the day.

At the Transport forum in Linköping, Nobina was awarded the Grand Traffic Prize for 2012. Nobina was appointed Entrepreneur of the Year for achieving 77% approval for its buses in annual vehicle tests compared with the industry average of 55%. The excellent results are based on long-term and methodical efforts on preventive maintenance and increased expertise at workshops, as well as a close collaboration with Bilprovningen (The Swedish Motor Vehicle Inspection Company).

SERIOUS INCIDENTS

Events are reports to senior management at monthly quality and environmental councils. All incidents are evaluated by the head of security. Those deemed to be very serious are investigated using root cause analysis



* For example leakage/spillage of fuel, oil or glycol on the road or at the depot.

» PUBLIC TRANSPORT IS IN MY BLOOD »

As a child, I dreamed of working in public transport. In 1964 I started my job at the planning department of Stockholm Spårvägar. My duties included calculating when the hour of maximum load occurred at various places in Stockholm. After that I worked with everything from matters relating to the names of stops to planning permission for rain shelters at bus stops.

MAX, 69 YEARS OLD

INNOVATION AND CONSTANT DEVELOPMENT – VEHICLES, FUELS AND EMISSIONS

Nobina works towards constantly developing everyday public transport, preferably in collaboration with the PTA. As the largest bus purchaser in the Nordic region, Nobina has major opportunities to put its innovative ideas into practice. At the same time, competition between bus suppliers is on the rise, benefiting pricing and offering. It is gratifying that an increasing number of PTAs are enabling the traffic companies to play an active role in designing transport solutions through standardized and function-based requirements in requests for tenders. This enables optimizing the fleet of vehicles in terms of efficiency and the environment. Read on about some of the projects that unfolded during the year.

DOUBLE DECKERS IN NORRTÄLJE

It's been 35 years since double deckers first rolled out into Stockholm traffic, and in June 2011 it happened again when Nobina took over the traffic between Norrtälje and Stockholm in collaboration with SL and bus manufacturer VDL Bus & Coach.

The new buses can accommodate 84 seated passengers yet largely have the same fuel consumption as the older bus type containing just 57 seats. This therefore reduces energy consumption per passenger by a quarter for the trip between Norrtälje and Stockholm, while increasing capacity per bus by 40%. Emissions are also reduced. By using biodiesel in the form of RME[2)], net emissions of greenhouse gases decrease by over 60% per personal trip compared to ordinary diesel buses. On top of this, water consumption and the use of chemicals have been reduced by 80–90% during the year through a new steam wash cleaning method.

For parts of the traffic contract, Nobina is paid per boarding customer instead of remuneration per driven kilometer, and is responsible for the detailed planning of traffic alongside SL. There are therefore clear incentives to tempt more commuters to take the bus instead of their cars through local marketing initiatives and an attractive service concept: reclining seats, air conditioning and internet on board. For more even travel, passengers are also offered breakfast during certain times.

HYBRID BUSES IN TROMSÖ

February 2012 saw the start of Nobina's new traffic in and around Tromsö in Norway. In the city traffic, 32 hybrid buses are used, which is the largest cohesive hybrid fleet in northern Europe. Similar hybrid buses are already in use in other Norwegian cities that are home to Nobina's traffic, but the extreme climate in Tromsö looks set to be a challenge for Volvo, which is responsible for service and repair.

The hybrid buses have the same operational safety as diesel buses, and low fuel consumption. By recycling braking energy, fuel consumption is reduced up to 35%, which contributes to reducing the environmental impact and low life cycle cost.

The contract is chiefly based on fixed remuneration, but also has an incentive-based element relating to passenger numbers and punctuality in traffic delivery.

BRT SYSTEM IN MALMÖ

Nobina is currently developing a BRT system in collaboration with Skånetrafiken and the City of Malmö, to be launched into traffic in the fall 2013. BRT stands for Bus Rapid Transit and can be compared with tram traffic in that the route has full priority in its own lanes with clear, straight route stretches. Like the subway, the system has a high average speed, departure frequency and capacity. The buses stop at stations rather than bus stops, and the distance between stations is relatively long.

In current times when trams are a buzzword among a number of politicians, it is noteworthy that the cost of a BRT system is only a fraction of a corresponding metro system. If the market share of public transport is to double by 2020, the BRT is a clear-cut initiative for the future and the most cost-efficient, according to a study by the Royal Institute of Technology (KTH) carried out in 2009 by assignment of Vinnova.

The new BRT system in Malmö will transport over 10,000 passengers every day.

LIGHTWEIGHT BUSES IN HELSINKI

Nobina won the city traffic tendering in Helsinki thanks to its bold focus on a completely new type of bus. The requirements in the request for tenders were based on functionality, which enabled Nobina itself to propose an optimal solution in relation to HSL's requirement specification, and lightweight buses from VDL Bus & Coach were chosen.

The new buses provide the right conditions to run environmentally friendly traffic with low fuel consumption and limited carbon dioxide emissions. The design of the buses provides excellent accessibility, simplicity and heightened enjoyment for passengers. Also, the lightweight buses have lower maintenance costs. It was Nobina's largest purchase of lightweight buses to date.

The vehicles will be taken into traffic in the late summer 2012 and buses will be added from the existing fleet following upgrades to meet the set requirements.

BIOGAS BUSES IN UPPLAND

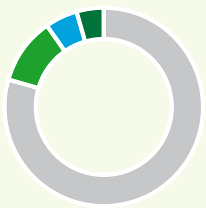
In line with an increased focus on environmentally friendly public transport in Swedish municipalities, environmentally friendly fuels will be in increasing demand. During the period 2000–2011, renewable fuel buses have more than doubled in Sweden. The last few years have primarily seen a rise in ethanol, RME[2)], natural gas and biogas buses. The number of biogas buses has increased from around thirty buses at the beginning of the 2000s to over 1,544 biogas and natural gas buses in traffic today*. Municipalities are investing substantial funds in biogas plants to be self-sufficient in fuel for public transport.

Biogas buses were introduced less than five years ago, so there are few used buses available that can be used in newly won traffic contracts. This means that a significant amount of buses will be purchased in future, which will rejuvenate Nobina's bus fleet. In the fall 2011, Nobina bought 109 new biogas buses from Scania for regional traffic in Uppland, starting in June 2012.

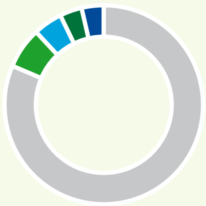
Previously, only two bus suppliers could offer biogas buses for regional traffic. However, thanks to the growing demand for biogas buses in tenderings, the number of suppliers has increased, which is good news.

** Bus industry statistics 2012*

Buses in traffic by fuel type (%)



Nobina's bus fleet by fuel type (%)



FUEL OVERVIEW

Fuel	Number in fleet 2011/2012	Number in fleet 2010/2011	Usage	Average consumption	Reduction Carbon dioxide 3)	Maintenance	Advantage	Disadvantage
Diesel	2,799 – of which 32 hybrid buses 1)	3,121	All traffic	0.38 l/km 2)	None fossil 4)	Normal (for hybrid, higher than normal)	Cost-efficiency, availability everywhere. Hybrid buses have lower operating costs and around 25% lower fuel consumption than a corresponding conventional bus in city traffic.	Not climate-adapted. Hybrid buses have a higher purchase price than conventional buses.
Natural gas	234	233	City and regional traffic	0.56 Nm³/km	None fossil	Higher than normal	Low local emissions and low noise	Not climate-adapted, requires infrastructure investment
Biodiesel 2)	158	43	City and regional traffic	0.40 l/km	38%	Slightly higher than normal	Cost efficient, climate-adapted	Limited supply, sensitive to cold winter weather
Biogas	123	69	City and regional traffic	0.56 Nm³/km	73%	Higher than normal	Climate-adapted, low local emissions and low noise	Requires infrastructure investment
Ethanol	119	148	City and suburban traffic	0.75 l/km	71%	Higher than normal	Climate-adapted	Limited reach, limited supply
Electricity	4	4	City traffic	N/A	Up to 100% with "green electricity"	Normal	Entirely emissions-free bus, silent in city environment	Requires infrastructure investment, lower flexibility
Total	**3,437**	**3,618**						

1) A hybrid bus is a bus with two engines, one diesel engine and one electrical engine. The bus can run either on one or the other or both engines at the same time. The electrical engine is run by a battery that charges while the bus is being driven using the diesel engine, and by the transfer of brake energy.

2) Mainly RME, Rapeseed Methyl Ester.

3) Average values from the EU's Renewable Energy Directive (RED).

4) Commercial diesel in Sweden contains up to 7% biodiesel (RME).

Corporate governance

This report describes corporate governance, management and administration, as well as the manner in which the Board of Directors ensures the quality of the financial statements and its cooperation with the company's independent auditors. This report for the 2011/2012 fiscal year includes the Board's report on internal controls for financial reporting. Nobina has voluntarily elected to follow the Swedish Code of Corporate Governance in certain respects and intends to comply with the code in full in the future.

ARTICLES OF ASSOCIATION

The Articles of Association are available in their entirety on the Group's website at www.nobina.com.

ANNUAL GENERAL MEETING

Annual General Meeting and shareholders

The Annual General Meeting is the company's highest governing body. Shareholders exercise their decision rights at the Annual General Meeting in such matters as the composition of the Board of Directors and election of auditors. Major shareholders – or the Nomination Committee, if the company implements a distribution of ownership – propose candidates for Board members, Chairman of the Board and auditors. Supplementary voting regulations may be found in shareholder agreements between certain shareholders. Resolutions at the Annual General Meeting are normally taken by 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. At the Annual General Meeting, shareholders are able to pose questions about the company and its results for the preceding year. Representatives of the Board of Directors, executive management and the auditors are normally present to answer these questions.

Annual General Meeting 2011

At the Annual General Meeting on 23 May 2011, 80% of the shares and the voting rights were represented. Representatives of Nobina's Board of Directors and Group management were present.

The following resolutions were passed: Birgitta Kantola, Rolf Lydahl, Thomas Naess, Jan Sundling and Jan Sjöqvist were reelected as Board members, of whom the last-named was reelected as Board Chairman. Board fees of SEK 1,325,000 were approved for distribution in accordance with the proposal presented to the meeting. Fees to the auditors shall be paid against invoices approved by the Board.

The Parent Company income statement and balance sheet and the consolidated income statement and balance sheet were adopted for the 2010/2011 fiscal year and the Board members and President were discharged from liability.

In accordance with the proposal by the Board and the President, it was resolved that the year's earnings in the amount of SEK 64,725,888, earnings brought forward from previous years totaling SEK 1,406,311,797 and the share premium reserve of SEK 611,848,790 be disposed of such that SEK 2,082,886,475 be carried forward. The meeting resolved that no dividend would be paid for the preceding fiscal year.

It was further resolved to authorize the Board to decide in respect of new share issues and it was decided to issue warrants for new share subscription to a wholly owned subsidiary and permit the subsidiary's transfer of these within the framework of the President's employment contract.

Guidelines for the remuneration of senior executives and the appointment of the Nomination Committee were approved.

The meeting also resolved on an amendment to the Articles of Association concerning publication of the notice to attend the Annual General Meeting, in line with the amendment to the Swedish Companies Act.

2012 Extraordinary General Meeting

An Extraordinary General Meeting was held on 17 January 2012. The meeting resolved that the Board of Directors shall comprise five members and resolved to elect Gunnar Reitan and Richard Cazenove as Directors for the period until the next Annual General Meeting. Richard Cazenove replaces the previous Director, Thomas Naess, as the representative of BlueBay Asset Management Ltd. Gunnar Reitan replaces Jan Sundling, who left his position on the Board in August 2011. In addition, the Board of Nobina AB comprises Chairman Jan Sjöqvist, Birgitta Kantola and Rolf Lydahl.

2012 Annual General Meeting

The 2012 Annual General Meeting will be held on 15 May 2012. Information on time and place, how registration of participation shall take place and how shareholders can submit a matter for consideration at the Meeting is provided in the meeting notification in the customary manner. Information is also available on the company's website as well as on page 94.

NOMINATION COMMITTEE

The Nomination Committee shall prepare and submit proposals to the Annual General Meeting for the Chairman of the Meeting, Board members, Chairman of the Board, Board fees to each of the Board members and the Chairman, and any remuneration for committee work, fees to the company's auditors and, when applicable, for the election of auditors. The Nomination Committee shall also prepare and submit proposals to the Annual General Meeting concerning guidelines for the composition of the Nomination Committee.

Principles for appointment of the Nomination Committee

Nobina shall have a Nomination Committee comprising one representative of each of the three largest shareholders, based on the number of votes held, together with the Chairman of the Board of Directors. The names of the members of the Nomination Committee and the names of the shareholders they represent shall be made public not later than six months before the Annual General Meeting and be based on shareholding statistics provided by Euroclear Sweden AB per the last banking day in October 2011. Provided the members of the Nomination Committee do not decide otherwise, the member representing the largest shareholder, based on the number of votes held, 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, based on the number of votes held, the appointed member shall resign and be replaced by a new member in accordance with the above procedure.

The appointment of a Nomination Committee pursuant to this proposal is conditional upon the number of shareholders in the Company, pursuant to the shareholder information kept by Euroclear Sweden AB, amounting to at least 100 shareholders. The company deviates from the Code of Corporate Governance since the number of shareholders is currently fewer than 100.

BOARD OF DIRECTORS

The Board of Directors' assignment is to contribute to sound business development and control of the Group's operations. The composition of Nobina's Board, as well as Board fees and meeting attendance, are presented below.

The Board's responsibility

Nobina's Board is responsible for the organization and administration of the company's affairs. The Board of Directors, in its entirety, is also assigned to act as an Audit Committee and a Remuneration Committee.

One of the Board's most important assignments is to ensure a long-term strategy, management, follow-up and control of the Group's daily operations with the objective of creating value for shareholders, customers, employees and other stakeholders.

The Board appoints the President, who is also the Chief Executive Officer (CEO).

Composition of the Board of Directors

The Board shall consist of at least three and at most ten board members. The Board shall appoint a Chairman, who according to Swedish law may not, at the same time, be the company's President. According to the Swedish Code of Corporate Governance, the Chairman shall be elected by the Annual General Meeting.

During the 2011/2012 fiscal year, the Board comprised five members, all of whom were re-elected at the AGM: Birgitta Kantola, Rolf Lydahl, Thomas Naess, Jan Sundling and Jan Sjöqvist, of whom the last-named was reelected as Chairman. In August 2011, Jan Sundling stepped down from his assignment as director due to a conflicting assignment. The Board met ten times during the fiscal year. For more information about the Board in its entirety, see page 52.

Board work

The Board has adopted formal procedures for its work that describe how work shall be divided between the Board and its committees and the President.

The formal work procedures are established each year by the Board and include the Board members. Directives for the President

The Board's work during the year – the Board met ten times during 2011/2012:

Date	Type	Matters considered
8 March	Ordinary	Operations, equities trading, bond loans
26 April–3 March	Ordinary	Operations, long-term plan, equities trading, annual report
26 May	Extra by telephone	Bank procurement
10 June	Extra by telephone	Bond terms
4 July	Ordinary	Operations, bond loans
5 July	Extra meeting	Statutory meeting, work procedures
25 July	Extra by telephone	Bid for the company
27 September	Ordinary	Operations, business plan, maintenance Swebus, Norway
20 December	Ordinary	Operations, business plan, capital structure, equities trading
8 February	Extra by telephone	Capital structure, equities trading

Board members' attendance in 2011/2012:

Name	Born	Elected	Board meetings	Annual General Meeting
Jan Sjöqvist, Chairman	1948	2005	10 of 10	Yes
Jan Sundling, member	1947	2005	6 of 10	No
Rolf Lydahl, member	1945	2005	9 of 10	No
Thomas Naess, member	1972	2009	9 of 10	No
Birgitta Kantola, member	1948	2009	10 of 10	No
Gunnar Reitan, member	1954	2012	0 of 10	No
Richard Cazenove, member	1974	2012	1 of 10	No

Thomas Naess and Jan Sundling resigned during 2011. Gunnar Reitan and Richard Cazenove were elected at the Extraordinary Meeting in January 2012. Jan Sundling did not attend the Board meetings following his resignation in August 2011. Gunnar Reitan did not attend the Board meetings because he was elected for in January 2012. Richard Cazenove attended one Board meeting before he was elected to the Board in January 2012.

and for financial reporting are described in appendices to the formal work procedures. The prevailing formal work procedures were adopted on 5 July 2012.

Thomas Naess and Jan Sundling resigned in 2011, and Gunnar Reitan and Richard Cazenove were elected at the Extraordinary Meeting in January 2012.

Remuneration of the Board of Directors

Fees are paid to the Board Chairman and Board according to resolutions passed by the Annual General Meeting and Extraordinary General Meetings. No remuneration is paid to the Board beyond that approved by the Annual General Meeting. The President is not paid Board fees. Board fees paid during the year totaled SEK 1.2 million (1.2).

During the year, Nobina AB paid pension remuneration to certain former Board members of Nobina Europe AB amounting to SEK 0.1 million (0.1). These former Board members are entitled to lifelong remuneration from the company.

REMUNERATION COMMITTEE

Nobina has not had a separate Remuneration Committee since the entire Board considers matters related to remuneration in conjunction with an annual evaluation of Board work.

Remuneration of the Board, including the Chairman, is resolved by the Annual General Meeting. Remuneration of the President and other senior executives shall be on market terms and consist of fixed and variable compensation plus other benefits and pension. Read more about the principles for the remuneration of the Board and senior executives in the sections “Board of Directors” and “President and Group management.” Prior to the next fiscal year, Nobina intends to appoint a Remuneration Committee with clear directives regarding work assignments, composition and decision-making authority in accordance with the Swedish Code of Corporate Governance.

AUDIT COMMITTEE

Currently, the entire Board comprises the Group’s Audit Committee. The Board’s task is to quality-assure financial reporting in collaboration with company management.

The Board shall ensure that company management identifies the risks in operations. Furthermore, the Board of Directors shall remain informed of the structure and prioritization of the external and internal auditing work in the Group to ensure that it maintains a high professional standard and is characterized by impartiality and integrity.

The Board monitors issues that emerge from auditing work, including individual cases where auditing measures are considered warranted. The Board meets with the external auditors at least once a year.

PRESIDENT AND GROUP MANAGEMENT

The President is appointed by the Board and is responsible for ensuring that daily operations are conducted in accordance with the Board’s guidelines and directives. Ragnar Norbäck, born 1955, has been the President and CEO of Nobina AB since 2004. He holds 101,112 shares in the company.

Since 1 March 2011, Nobina’s Group management has comprised the CEO, CFO and two business area managers. In December 2011, Group management was expanded to also include the HR Manager. Group management normally meets once per week and works in line with the company’s combined policies and applicable directives. All decisions are made by the President following consultation with Group management.

The President of each company reports directly to the business area manager and in turn, is responsible for compliance with directives and guidelines.

Guidelines for remuneration of senior executives

The company endeavors to offer remuneration and other terms of employment that are market based and competitive in order to ensure that the company can attract and retain competent personnel. Remuneration to the President and other persons in company management shall consist of fixed salary, variable compensation, pension and other customary benefits.

The fixed salary is reassessed as a general rule once a year and shall take into consideration the individual’s responsibility and performance. The fixed salary shall be competitive. Variable remuneration shall be based on the individual’s performance and the company’s performance in relation to predetermined and established goals. Evaluation of these goals shall take place annually. Variable remuneration shall also include a cash bonus as determined by the Board and, for the President, share-based payment of which remuneration in shares may be able to amount to a maximum of 140% of the President’s fixed annual salary to be paid out over three years. Share-based payment shall be conditional upon the AGM making the required decisions for delivery of shares according to the established share-based payment.

In the event of termination of employment, senior executives in the Nobina Group are entitled to not more than 12 months’ compensation. As a basic principle, a six month mutual termination period applies between the company and the executive. In addition, a maximum of six months’ compensation may be paid in the event that the company has terminated employment. In addition, a maximum of six months of remuneration is payable should employment be terminated by the company. Senior executives comprise the Parent Company’s President and Finance Director and the presidents of subsidiaries.

Pension and terms for the President

The retirement age for the president is 62 years in the Parent Company. The pension payments for the company are reduced to 90% of salary for retirement between the ages of 62 and 63, 80% between 63 and 64 and 70% between 64 and 65. Nobina’s commitment to the President ends at retirement, at the age of 65. Pension costs consist of a defined contribution pension, in which the premium is 30% of pensionable salary. Pensionable salary refers to basic salary as long as the President remains employed by the company. Termination salary is pensionable.

The President has the right to 30 vacation days each year. The President is insured for 90% of salary during a maximum of 365 days per calendar year without a qualifying period. In addition to the taxable benefits described above, benefits include health insurance and holdings of shares in Nobina AB.

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

Incentive programs

Nobina AB has previously issued three share option programs: Program 1, issued on 24 June 2005, consisted of 1,052,000 warrants; Program 2, issued on 8 November 2005, consisted of 304,569 warrants and Program 3, issued on 19 January 2009, consisted of 1,640,925 share options. Nobina AB bought back all warrants issued by the company. Compensation for the redemption of warrants issued in 2005 comprised of cash according to an independent market valuation of the warrants. Compensation for the redemption of the warrants issued in 2009 comprised of cash according to the nominal value of the share options. At the redemption date, holders of the issued warrants have also undertaken to reinvest part of the proceeds in shares in Nobina AB.

AUDITORS

The shareholders at the Annual General Meeting elect external independent auditors for a four-year period. The auditors report to the shareholders at the company's general meetings. The company shall have at least one (1) and at most two (2) auditors with at most two (2) deputies. Authorized public accountants or registered auditing firms shall be appointed as auditors or deputies as appropriate.

The 2009 AGM reelected Ernst & Young as Nobina's auditors for the coming four-year period. Ernst & Young AB have been the company's auditors since 2005. The authorized public accountant in charge until further notice is Erik Åström, Ernst & Young AB. Erik Åström is a member of FAR (the Swedish accountants' professional organization).

The external auditors' assignments consist of auditing the company's annual report, consolidated accounts and financial records, as well as the administration of the Board and President. Ernst & Young report continually to the Group management and to local company management. Ernst & Young is commissioned only for consulting services determined and approved ahead by the Board. The auditors inform the Board of the annual audit planning, its scope and contents, and present their conclusions. Also, the Board is informed regarding assignments that were performed in addition to auditing services, compensation for such assignments and other circumstances of importance for assessing the auditors' independence.

BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROLS

The President and senior management shall manage work 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 the International Financial Reporting Standards (IFRS) and Swedish Annual Accounts Act (ÅRL),
- the financial accounts are informative and maintain a sufficiently detailed level,
- that financial reporting reflects underlying transactions and events in a correct manner 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 objective is to ensure a company culture that is characterized by integrity and that ethical values are not compromised. The management system includes the employees' experience, expertise, attitudes, ethical values and perception of how responsibility and authority are distributed within the organization. It is the management system that illustrates how the Group works in important areas. The control environment is characterized by the main business processes and the associated Group policies and instructions, as well as local instructions. Process owners propose preventative measures, development and improvement of the process. Business leaders are responsible for introduction, follow-up and correction of deficiencies.

Risk assessment

The risks that arise in conjunction with financial reporting are primarily fraud, loss or embezzlement of assets, unauthorized favoring 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, revenues and costs or deviations from disclosure requirements are some examples.

The Group applies the same type of risk assessment for all processes. This takes place in three steps and is initiated through management's review. The basis for the assessment is an analysis of the Group's present situation and management's previous experience. The risks that are deemed to significantly affect financial reporting are classified as high risks. The risks that receive the opposite assessment are classed as low risks.

At the second stage, high risks in operations are evaluated in conjunction with a survey of sub-processes. Competent expertise from the processes is used for a careful evaluation of all risks in the particular process.

The work procedure is as follows:

1. Identify risks and assign them to the relevant process stage:
   - Describe current preventative measures
   - Evaluate the probability/ impact/ probability of discovery
   - Calculate risk values
   - Propose improvement measures in cases of high-risk values
2. This means that management's assessment of a risk may receive a lower value in operations, just as a risk that was not assessed by management may receive a high value in operations.

This final step in this work is to compile all risk values that emerge from the survey and present them at a Group management meeting. Management prioritizes risks with high values and allocates resources to handle them. The risks that received low values are archived on a risk list for renewed assessment, at the latest in conjunction with next year's risk assessment.

Control activities

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

The company has a number of controls for approving and attesting business transactions. In daily work and when preparing the closing accounts and financial reports, significant accounting principles are applied in all Group companies. Established routines control the review and analysis of financial reports at all levels within the Group, which is important for being able to ensure the correctness of reports. Control takes place through approved policies and instructions that were all developed by Group-wide process teams. The teams also decide on important control points to ensure correctness in financial reporting.

Decision channels, authorizations and responsibilities at various levels of the organizations are defined in line with current policies and instructions, which include an authorization manual. No special IT controls are performed, and no external parties are employed.

Information and communication

The communication plan ensures that the communication of control points reaches the appropriate target group. Information in the control point shows how the company acts at the control point and how deviations are reported and monitored. The process owner is responsible for ensuring that information about common methods reaches the entire organization. The line organization holds regular meetings on a function or area basis. New policies and directives are always presented at these meetings as part of their introduction. The written communication primarily takes place through an intranet where news is updated immediately and which contains both the management system and Group policy documents and directives.

Follow-up and monitoring

The financial risks deemed high are followed up, primarily within each process. A control function is built into the risk's control point, which means that the actual operation ensures that functions are handled as planned.

The purpose of monitoring and supervision is to secure a stable control environment in the company and to check that application and follow-up are performed in key areas of the operations. The principle applied in the company is that every process must have control functions that support follow-up activities. The internal audit is a supplementary instrument for ensuring that operations are conducted in line with approved decisions.

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 the company management. Changes in the organization that may affect the internal control are assessed each year and reported to the Board.

Nobina's share and ownership structure

Common shares in Nobina total 24,928,139, each with a par value of SEK 9. Thus, the share capital amounts to SEK 224,353,251. Share capital remained unchanged during the fiscal year. The share capital shall be at least SEK 216,000,000 and at most SEK 864,000,000. The number of shares in the company shall amount to at least 24,000,000 and at most 96,000,000. The company's shares shall be registered in a settlement register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479). Share capital and warrants are described in Note 7 and 21.

International investment funds are the primary shareholders in Nobina AB with a combined holding of about 94%. The largest holders of Nobina common shares are funds managed by Bluebay Asset Management, Avenue Capital, VPV Bankiers, FidelityFunds and Thames River Capital.

Nobina's shares are registered with Euroclear and most of the approximately 30 shareholders hold their shares through the trust departments of various banks. There is no organized trading of the company's shares on any stock exchange or other market. However, some OTC-based share trading is conducted in London, where a few stockbrokers trade on their own initiative.

Auditor's report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the corporate governance statement for the year 1 March 2011–29 February 2012 on pages 46–50 and has chosen, in some respects, to voluntarily comply with the Swedish Corporate Governance Code.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance 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.

The corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts.

Stockholm, 4 May 2012

Ernst & Young AB

Erik Åström
Authorized Public Accountant

Board of Directors

JAN SJÖQVIST

Board Chairman since 2005.

Year of birth: 1948

Previous assignments: President and CEO of NCC.

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

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

Shareholding: 65,363 shares

BIRGITTA KANTOLA

Board member since December 2009.

Year of birth: 1948

Other assignments: Managing partner at Birka Consulting AB and board member of Stora Enso Oyj, Helsinki, the NASDAQ OMX Group, New York and Skandinaviska Enskilda Banken AB, Stockholm.

Previous assignments: Vice President and CFO of International Finance Corporation (World Bank Group), Washington D.C. and Executive Vice President of Nordic Investment Bank.

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

Education: Master of law, University of Helsinki.

Shareholding: -

ROLF LYDAHL

Board member since 2005.

Year of birth: 1945

Other assignments: Board chairman of IndeCap AB and Jernhusen AB. Board member of Vasakronan AB.

Previous assignments: President and CEO of Probo, Executive Vice President of Nordstiernan and responsible for Credit Suisse's representative office in Stockholm.

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

Education: MSc., Stockholm School of Economics.

Shareholding: 14,696 shares

RICHARD CAZENOVE

Board member since January 2012.

Year of birth: 1974

Other assignments: Employed at BlueBay since 2003

Previous assignments: Employed at UBS London, 1997–2003.

Dependence status in relation to the company: Independent in relation to Nobina and its management but not independent in relation to Nobina's major shareholders due to his position at BlueBay Asset Management as an investment expert.

Education: MA, Social & Political Science, Cambridge University.

Shareholding: -

GUNNAR REITAN

Board member since 2012.

Year of birth: 1954

Other assignments: Board chairman of Strata Marine & Offshore AS.

Previous assignments: Over 20 years' international experience from leading positions and board assignments within the airline, travel, freight, financial, insurance, real estate and oil industries. CFO and Vice President of SAS between 1993 and 2007.

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

Education: MSc. Economics, Trondheim Business School.

Shareholding: -

Group Management

RAGNAR NORBÄCK

Title: CEO and President of Nobina AB since 2004. Member of Group management since 2004.

Year of birth: 1955

Other assignments: Board member of Nilson Group AB and its holding companies Skofemman AB and N3 Group AB. Board chairman of RALT AB.

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

Education: MSc. Engineering, logistics, Chalmers Institute of Technology.

Shareholding: 101,112 shares

JAN BOSAEUS

Title: Business Area Head, Regional traffic since 2010. Managing Director Nobina Sverige AB since 2002 and Vice President of Nobina AB since 2009. Member of Group management since 2009.

Year of birth: 1960

Other assignments: Board chairman of Transport-Gruppen TGS Service Aktiebolag and Bussarbetsgivarna BuA Service Aktiebolag. Board member of the Confederation of Swedish Enterprise, Alecta's Council of Administration and of the working committee of the Confederation of Swedish Enterprise.

Previous assignments: Board member of Svenska Bussbranschens Riksförbunds Service Aktiebolag. Technical director at Nobina Sverige AB. Member of the senior management team of Kalmar LMV Sverige AB responsible for aftersales service. Previously employed at SMA Maskin AB and Engson Maskin AB.

Education: Business Administration graduate, IHM Business School.

Shareholding: 26,000 shares

PETER HAGERT

Title: Director of Human Resources at Nobina AB since 2011. Member of Group management since 2011.

Year of birth: 1960

Previous assignments: Director of Human Resources at Amex Bank of Canada, Amex Nordic, Russia and CEE and VP Sheraton Hotel & Towers Stockholm.

Education: MSc., Stockholm School of Economics.

Shareholding: -

JOAKIM PALMKVIST

Title: Business Area Head, Interregional traffic since 2010. Managing Director of Swebus Express AB since 2006. Member of Group management since 2010.

Year of birth: 1963

Other assignments: Board member of Samtrafiken i Sverige AB. Deputy member of The Swedish Bus and Coach Federation (Bussbranschens Riksförbund).

Previous assignments: CEO, Elgiganten AB; CEO, Ticket Resebyråer AB; CEO, Synoptik and Purchasing Manager, ONOFF AB.

Education: Business Administration graduate, IHM Business School.

Shareholding: 8,334 shares

PER SKÄRGÅRD

Title: CFO at Nobina AB since 2004. Vice President of Nobina AB since 2009. Member of Group management since 2004.

Year of birth: 1957

Previous assignments: CFO at DHL Nordic AB, Danzas-ASG AB, NETnet International, Helene Curtis Scandinavia, Warner Lambert Scandinavia. Group controller at AB Pripps Bryggerier. Economic Planner at Länsförsäkringsbolagen.

Education: Business Administration graduate, Stockholm University. Chairman of Svenska Civilekonomföreningen and Civilekonomernas Service AB.

Shareholding: 35,745 shares

Annual report and consolidated financial statements

ADMINISTRATION REPORT

The Board of Directors and Chief Executive Officer (CEO) of Nobina AB (publ) hereby present the annual report and consolidated financial statements for operations during the fiscal year from 1 March 2011 to 29 February 2012. The results of the year's operations for the Group and Parent Company are presented in the following income statements and balance sheets, cash-flow statements, statements of changes in shareholders' equity and notes. All items are expressed in SEK million unless otherwise stated. The fiscal year covered by this annual report ended on 29 February 2012 and is referred to as 2011/2012.

OWNERSHIP STRUCTURE

The company is a public limited company (Corporate Registration Number 5565764569, domiciled in Stockholm), owned by about 30 shareholders and is the overall Parent Company in the Nobina Group. During the year, the company worked with a strategic advisor, Perella Weinberg, to review the future ownership situation.

NATURE AND FOCUS OF OPERATIONS

Nobina AB is the largest player in the Nordic region in public bus transport, with a business concept to simplify everyday travel for its customers. The operations include regional traffic in the Nordic region under contract, and interregional traffic in Sweden. The Group comprises the operating companies Nobina Sverige AB and Swebus Express AB in Sweden, Nobina Norge A/S, Nobina Finland Oy Ab and Nobina Danmark A/S. With approximately 290 million passengers annually, Nobina is one of the ten largest public transport companies in Europe.

The wholly owned operating subsidiaries are owned via a subordinate holding company, Nobina Europe Holding AB, which in turn owns the subsidiaries' operating parent company, Nobina Europe AB (publ). Nobina AB also has two wholly owned subsidiaries for management of the bus fleet, Nobina Fleet AB and Nobina Busco AB, which leases buses to the operating companies.

SIGNIFICANT EVENTS DURING THE YEAR

Revenue trend

The company's revenue increased SEK 353 million, or 5.3%, from SEK 6,697 million for the fiscal year that ended on 28 February 2011, to SEK 7,050 million for 2011/2012, which ended on 29 February 2012.

Regional traffic – Sweden

Revenue from regional bus traffic in Sweden rose SEK 446 million, or 10.0%, from SEK 4,459 million for the fiscal year ending 28 February 2011, to SEK 4,905 million for the fiscal year ending 29 February 2012. The main reason for the increase was that new traffic contracts that had already commenced overlapped with old traffic contracts that were concluded later that year. A full-year effect for traffic contracts secured in the preceding year also had a positive effect on the sales trend.

Regional traffic – Denmark

Revenue from regional bus traffic in Denmark increased SEK 2 million, or 0.6%, from SEK 323 million for the fiscal year ending 28 February 2011, to SEK 325 million for the fiscal year ending 29 February 2012. This increase represents a net effect of indexation and a certain decrease in volume in an existing contract.

Regional traffic – Norway

Revenue from regional bus traffic in Norway decreased SEK 65 million, or 8.3%, from SEK 783 million for the fiscal year ending 28 February 2011, to SEK 718 million for the fiscal year ending 29 February 2012. The decrease is primarily attributable to the termination of one large traffic contract in the end of fiscal year 2010/11.

Regional traffic – Finland

Revenue from regional bus traffic in Finland rose SEK 19 million, or 2.5%, from SEK 756 million for the fiscal year ending 28 February 2011, to SEK 775 million for the fiscal year ending 29 February 2012. This increase was mainly due to indexation and a certain contractual development.

Interregional traffic – Sweden

Revenue from interregional traffic decreased SEK 60 million, or 14.0%, to SEK 370 million for the fiscal year ending 29 February 2012, compared with SEK 430 million for the fiscal year ending 28 February 2011. This decrease was attributable to fewer

SEK M, unless otherwise stated	07/08	08/09	09/10	10/11	11/12
Sales	5,406	6,134	6,308	6,697	7,050
Operating profit/loss	161	206	192	232	37
Profit/loss after net financial items	–16	–233	121	59	–230
Profit/loss after tax	–15	–239	121	59	–230
Cash flow	211	–59	–67	–91	–120
Cash and cash equivalents incl. restricted funds	529	558	472	335	260
Of which restricted funds	*74*	*141*	*141*	*110*	*153*
Equity/assets ratio, %	5.8	Neg	2.8	3.4	Neg
Shareholders' equity	210	–117	137	178	–43
Number of buses	3,376	3,505	3,553	3,618	3,437
Average number of employees	7,021	7,606	7,318	7,714	7,008
Income/bus	1.60	1.75	1.78	1.85	2.05

passengers due to lower demand and greater price competition. Figures from the preceding year include increased sales related to the period with no air traffic due to the ash cloud from the Icelandic volcano.

Personnel costs

Personnel costs increased SEK 120 million, or 3.5%, to SEK 3,528 million for the fiscal year ending 29 February 2012, compared with SEK 3,408 million for the fiscal year ending 28 February 2011. This was mainly due to higher salaries and payroll overheads resulting from higher traffic production in regional traffic contracts and contractual salary increases.

Fuel, tires and other consumables

Costs for fuel, tires and other consumables increased SEK 217 million, or 14.4%, to SEK 1,724 million for the fiscal year ending 29 February 2012, compared with SEK 1,507 million for the fiscal year ending 28 February 2011. This increase was due to greater traffic production and higher fuel costs.

Other expenses

Other external expenses mainly comprise operational leasing costs and rents, and costs for contracted consultants, auditing, financial and legal services and advertising. Other external expenses increased SEK 91 million, or 7.8%, to SEK 1,262 million for the fiscal year ending 29 February 2012, compared with SEK 1,171 million for the fiscal year ending 28 February 2011. The increase is primarily due to higher traffic production and nonrecurring costs for capitalized issue expenses for strategic consulting, but also contains reduced operational leasing costs.

Depreciation/amortization and impairments

Depreciation/amortization and impairments largely comprise depreciation of buses and other vehicles but also relate to depreciation of equipment, tools, inventories and fittings, fixtures and buildings. Depreciation/amortization and impairments rose SEK 117 million, or 31.5%, to SEK 489 million for the fiscal year ending 29 February 2012, compared with SEK 372 million for the fiscal year ending 28 February 2011. The increase includes a nonrecurring effect in the form of goodwill impairment for Nobina Norge AS at an amount of SEK 84 million and is otherwise derived from depreciation/amortization due to a greater number of financially leased buses.

Operating profit/loss trend

The company's operating profit declined SEK 195 million, or 84.1%, to SEK 37 million for the fiscal year ending 29 February 2012, compared with SEK 232 million for the fiscal year ending 28 February 2011. This decrease includes non-recurring effects totaling SEK 171 million in the form of goodwill impairment for Nobina Norge AS amounting to SEK 84 million, a nonrecurring charge for regional bus traffic in Norway amounting to SEK 31 million and recognition of the previously capitalized issue expenses of SEK 49 million and costs of SEK 7 million for the centenary anniversary. Operating profit declined SEK 31 million, including a deterioration of SEK 34 million related to regional bus traffic in Norway and a deterioration of SEK 44 million related to interregional traffic. Operating profit for other regional traffic improved SEK 78 million, while central costs increased SEK 24 million. Estimated costs for extraordinary winter conditions in the fourth quarter in the form of fuel consumption, damage, maintenance and cancelled departures decreased SEK 54 million, to SEK 8 million for the fiscal year ending 29 February 2012 compared with SEK 62 million for the fiscal year ending 28 February 2011.

Regional traffic – Sweden

Operating profit increased SEK 53 million, or 21.9%, to SEK 295 million for the fiscal year ending 29 February 2012, compared with SEK 242 million for the fiscal year ending 28 February 2011. This was mainly due to improved operating profit generated by greater operational efficiency and reduced extraordinary winter expenses in the fourth quarter.

Regional traffic – Denmark

Operating loss improved SEK 20 million, or 37.7%, to SEK 33 million for the fiscal year ending 29 February 2012, compared with SEK 53 million for the fiscal year ending 28 February 2011. This was mainly due to a provision for onerous contracts charged to the preceding year, pertaining to the first traffic contract that commenced in October 2008. Lower operating deficits and decreased extraordinary winter expenses also contributed to an improved fourth quarter.

Regional traffic – Norway

Operating profit declined SEK 149 million, to a negative SEK 128 million for the fiscal year ending 29 February 2012, compared with SEK 21 million for the fiscal year ending 28 February 2011. This deterioration was due to goodwill impairment of SEK 84 million, other impairments amounting to SEK 31 million and impaired operating profit of SEK 34 million.

Regional traffic – Finland

Operating profit increased SEK 5 million, to SEK 12 million for the fiscal year ending 29 February 2012, compared with SEK 7 million for the fiscal year ending 28 February 2011. Improved operating profit due to greater operational efficiency was counteracted by extraordinary winter expenses in the fourth quarter.

Interregional traffic – Sweden

Operating profit declined SEK 44 million, or 110%, to a negative SEK 4 million for the fiscal year ending 29 February 2012, compared with SEK 40 million for the fiscal year ending 28 February 2011. This decrease was due to fewer passengers resulting from lower demand and increased price competition. The preceding year includes a positive earnings effect related to the period with no air traffic due to the ash cloud from the Icelandic volcano.

Central functions and other items

Central functions and other items include expenses related to the head office. The net expense (operating result) for central functions and other items rose SEK 80 million, to SEK 105 million for the fiscal year ending 29 February 2012, compared with SEK 25 million for the fiscal year ending 28 February 2011. Recognition of previously capitalized issue expenses amounting to SEK 49 million, costs of SEK 7 million for the centenary anniversary and increased IT investments account for the expense increase.

Profit from financial investments

Interest income and similar expense items decreased SEK 7 million, or 63.6%, to SEK 4 million for the fiscal year ending 29 February 2012 compared with SEK 11 million for the fiscal year ending 28 February 2011. This decrease is primarily attributable to the Group's reduced cash and cash equivalents. Interest expenses and similar expense items rose SEK 87 million, to SEK 271 million for the fiscal year ending 29 February 2012, compared with SEK 184 million for the fiscal year ending 28 February 2011. This increase was mainly due to a minor value increase of the SEK against the EUR, resulting in an unrealized exchange gain of SEK 4 million, compared with an unrealized exchange gain of SEK 66 million in the preceding year.

Tax

The Group's tax expenses were SEK 0 million for both the fiscal year ending 28 February 2011 and the fiscal year ending 29 February 2012, due to the utilization of loss carry-forwards.

Loss for the year

For the fiscal year ending 29 February 2012, the company notes a loss of SEK 230 million, compared with a profit of SEK 59 million for the fiscal year ending 28 February 2011.

MARKET

The Nobina Group operates public transport bus services. The largest component comprises public transport contracts, which are operated by subsidiaries in the various countries. In addition, long-distance bus traffic is conducted in free competition, primarily in Sweden.

Nobina is the largest company to offer public transport bus services in the Nordic region and one of the ten largest public transport companies in Europe. All activities require operating permits for passenger transport. All subsidiaries hold the required permits.

FINANCING, LIQUIDITY AND CASH FLOW

The Group's financial expenses increased SEK 87 million (decrease: 1) during the year. The Group's exchange gain amounted to SEK 4 million (66). This total is primarily an unrealized exchange gain on Nobina Europe AB's bond loans of EUR 85 million.

Nobina AB's sole assets are shares in Nobina Europe Holding AB and Nobina Fleet AB. In turn, Nobina Europe Holding AB holds Nobina Europe AB, which is the Parent Company for all of the Group's operating companies.

The Nobina Group has historically accumulated significant losses. Nobina Europe AB's bond loans mature for payment on 1 August 2012. Nobina Europe is entitled to repay the bond load before this date without an additional amount. When the bond loan was granted, the issue price was discounted by 7.5%, which is why the original nominal bond liability of EUR 121.5 million contributed EUR 112.4 million in loan capital to the company. The issue discount of EUR 9.1 million has been distributed over the maturity of the loan. The non-depreciated amount will be recognized as income in the event that the bond loan is redeemed in advance. Nobina Europe AB is dependent on obtaining new financing in order to complete full repayment. The opportunity to obtain compensation financing is deemed favorable in the light of internal and external valuations and because the current bond loan is largely held by shareholders in the Group's Parent Company, Nobina AB.

INVESTMENTS AND DEPRECIATION

The Group's investments during the year consisted primarily of bus acquisitions. During the year, 263 (273) buses were acquired through financial leasing, while 133 (122) other buses were financed in cash. In total, the Group 396 (395) acquired buses during the year. Cash-financed investments amounted to SEK 115 million (180). Through its subsidiary Nobina Fleet AB, the Group signed financial leases amounting to SEK 745 million (731). These are classified as non-current assets in the balance sheet. The lease commitment was recognized as liability in the balance sheet. Depreciation and interest expenses are recognized in the income statement. During the year, the Group divested 590 (330) buses valued at SEK 114 million (16). The sale resulted in a capital loss of SEK 10 million (loss: 7).

EMPLOYEES

During the period, the average number of employees was 9,387 (9,023) and the number of employees translated into fulltime employees was 7,008 (7,714). In all countries where Nobina AB has operations, collective agreements are applied in accordance with the trade union that represents employees in the industry in which each company is active. Between the employee representatives and the company, there are well-established practices in place for the way in which working hours, compensatory terms, information and cooperation are negotiated and applied. The Nobina Group uses programs focusing on values and employee relations in order to boost the employees' motivation at work and thus improve the quality of services to customers.

SIGNIFICANT AGREEMENTS BETWEEN THE COMPANY AND THE BOARD AND THE CEO

Fees to the Board of Directors are established by the Annual General Meeting. No special remuneration is paid if the assignment as Board member is terminated prematurely. In the event of termination of employment from the part of the company, the CEO is entitled to 12 months termination notice during which time salary will be paid. With regard to other information on fees to the Board of Directors, salaries and remuneration to senior executives, refer to Note 7.

INCENTIVE PROGRAMS

Through a rights issue in 2009/2010, 1,849,094 shares valued at SEK 9,245,470, were subscribed for by employees. After a reverse split (see Note 20), there are 24,928,139 shares, of which employees have 388,042 shares.

SUPPLIERS

The Nobina Group's subsidiaries are dependent on certain suppliers, primarily in the vehicle and energy sectors, to conduct their operations. Purchasing agreements are signed mainly at Group level. Individual subsidiaries only enter into agreements with specific 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.

ENVIRONMENTAL IMPACT OF OPERATIONS

New buses are equipped with engines of the latest emissions class that produce lower emissions during combustion. They are equipped with filters for exhaust emission control and thus comply with future emissions standards long before they gain legal force. In the Group's non-current assets, the Group invests in environmental improvements such as new and improved cleaning equipment in the bus washing facilities. Total emissions are minimized by upgrading engine classes and controlling tire pressure and wheel alignment, as well as transitioning to renewable fuel. The Group is working to reduce fuel consumption and new and improved fuel products are continuously evaluated. Some of the Group's activities, such as washing buses at depots and proprietary workshops, are notifiable under the Swedish Environmental Code (SFS 1998:808). They impact the environment primarily through the discharge of water from bus-washing facilities. In conjunction with the establishment and discontinuation of depots, these depots undergo environmental inspections 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 the Group's own operations has been established.

DISPUTES

The Nobina Group had no significant disputes during the fiscal year.

TRADING OF THE COMPANY'S SHARES

The share is not listed on any exchange or other public trading venue.

OPERATIONAL RISKS

The Group's future success is dependent on its ability to secure new traffic contracts and extend existing contracts with public transport authorities
During the fiscal year ending 29 February 2012, the Group's contracts with public transport authorities accounted for 94.5% of total revenue. Opportunities to secure new contracts are largely dependent on the Group's ability to tender with competitive pricing. Pricing is largely dependent on the Group's ability to increase operational efficiency and realize potential economies of scale. Consequently, competiveness is closely aligned with efficient management of the bus fleet and existing contracts. A decline in the Group's competitiveness would affect the ability to secure new contracts with public transport authorities, which in turn could have a significantly negative impact on the Group's operations, financial position and operating profit.

Assumptions and risks associated with tender pricing in the contract tender process
Every traffic contract is awarded following a formal competitive tender process. If any of the Group's assumptions for price determination are incorrect, the Group 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, the Group enters contracts with public transport authorities for a period of five to eight 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 the Group over time. Signing a contract with a low margin, or a loss-making contract, would have a negative impact on the Group's revenue and operating profit, which would have a significantly negative impact on the financial position and operating profit.

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

Access to bus drivers
The company is strongly dependent on access to bus drivers in the countries in which the Group operates. There are several factors that could lead to the Group 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.

Price-adjustment index in Nobina's traffic contracts
A contract with a public transport authority compensates the Group for providing bus services along the routes, and according to the timetables, described in the contract. The size of the compensation is adjusted on a regular basis based on a basket of indices aimed at offsetting changes in the Group's costs during the term of the specific contract. The price-adjustment index allows for costs pertaining to labor, fuel, changes in the consumer index and other factors. The index weighting in the Group's contract portfolio may differ from the Group's actual cost structure, and the index-based price adjustments may not fully offset the Group's costs. Depending on the specifications in each contract, the index is adjusted on a monthly, quarterly, six-monthly or annual basis and, in certain cases, applied for future contract periods and not retroactively for the preceding contract period. This may mean that the Group does not receive higher compensation to offset actual costs during a previous contract period. In addition, compensation adjustments are not intended to keep traffic companies free from damage, but to adjust the compensation to be paid in the future. This may mean that the price-adjustment indices do not provide full compensation at the right time, for actual costs and cost increases.

Fluctuations in fuel supply and price
Major changes in fuel supply and price could have a significant impact on the Group's operations, financial position and operating profit. Fuel supply and cost are affected by a series of factors over which the Group has little or no control, such as environmental legislation or global, financial and political events. In the event of a fuel shortage due to a disruption in oil import, reduced production or another reason, the Group could be affected by higher fuel prices or

cutbacks in contracted fuel deliveries. The Group's fuel costs are also influenced by annual increases in fuel tax, which is partly offset by the price-adjustment index. The Group also guards itself from fuel-price increases by purchasing commodity options for the portion of the diesel cost not covered by the price-adjustment index. At 29 February 2012, the Group had no outstanding diesel derivatives.

Exchange-rate fluctuations
Several of the Group's operating subsidiaries, including Nobina Norge, Nobina Finland and Nobina Danmark, have functional currencies other than SEK (the Parent Company's functional currency). When the Group compiles the consolidated financial statements, it converts the annual accounts of these operating subsidiaries' into SEK on the balance-sheet date. Accordingly, the Group's operating profit/loss and financial position are affected by exchange-rate fluctuations between SEK and NOK, EUR and DKK. The Group is also exposed to exchange-rate fluctuations with regard to fuel costs, which are partially mitigated by the Group subscribing to commodity options in local currency. In addition, the Group is exposed to currency risks in terms of a bond loan in EUR.

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

Interest risk
The Group is primarily exposed to interest rate risk through the company's financial and operating leases, which are mainly subject to variable interest. Interest rate increases are compensated to some extent through price-adjustment indices containing components of interest and/or consumer price indices.

Refinancing risk
The Group is exposed to a refinancing risk, since an existing bond loan of EUR 85 million falls due on 1 August 2012.

Liquidity risk
Liquidity risk is defined as the risk that cash and cash equivalents are not available and that financing cannot be obtained when required. The Group has an available framework of SEK 300 million for accounts receivable financing.

For other financial risks and risk management, refer to Note 28.

SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

During the spring, two leading credit institutes chose to lower Nobina's credit rating in anticipation of the refinancing in progress, which is expected to be completed not later than 1 August 2012 in conjunction with the maturity of the existing bond loan.

IFRS AND THE COMPANY'S ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Parent Company applies the same accounting policies as the Group except where stated in the section "The Parent Company's accounting policies." The differences that exist are due to the limitations for applying IFRS in the Parent Company due to the Swedish Annual Accounts Act (ÅRL) and, in certain cases, taxation purposes. The company's accounting policies are stated in Note 1.

PARENT COMPANY

The Parent Company's operations mainly comprise Group management, support functions for IT, HR and payroll, financial management and legal services. The Parent Company had 52 (44) employees during the year. The Parent Company's profit before tax was SEK 0 million (81) and cash and cash equivalents at year-end were SEK 121 million (39), of which SEK 56 million (30) were in restricted funds.

PROPOSED DIVIDEND

The Board of Directors proposes that no dividend be paid.

Allocation of profits (SEK)

Funds available for allocation by the Annual General Meeting:	
Share premium reserve	611,848,790
Accumulated profit	1,471,037,685
Profit for the year	157,535
Total	**2,083,044,010**

The Board proposes that profits be allocated as follows:	
To be carried forward to new account	2,083,044,010
Total	**2,083,044,010**

For more information about the results and financial position of the Group and Parent Company, see the following income statements, statements of comprehensive income and balance sheets, with notes.

Consolidated income statement

SEK M	Note	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Net sales	1, 2, 3	6,891	6,546
Other operating income		159	151
TOTAL INCOME		**7,050**	**6,697**
OPERATING EXPENSES			
Fuel, tires and other consumables	4	–1,724	–1,507
Other external expenses	4, 5, 6	–1,262	–1,171
Personnel costs	4, 7	–3,528	–3,408
Capital losses from the disposal of non-current assets		–10	–7
Depreciation/amortization of intangible and tangible non-current assets	8	–489	–372
OPERATING PROFIT	1, 2	**37**	**232**
Profit from net financial items			
Financial income	9	4	11
Financial expense	10	–271	–184
NET FINANCIAL ITEMS		**–267**	**–173**
PROFIT/LOSS BEFORE TAX		–230	59
Tax	11	-	-
PROFIT/LOSS FOR THE YEAR		**–230**	**59**
Profit/loss for the period attributable to Parent Company shareholders		–230	59
Average number of shares before dilution (000s)	20	24,928	24,928
Earnings per share attributable to Parent Company shareholders, before dilution (SEK)	21	–9.23	2.37
Earnings per share attributable to Parent Company shareholders, after dilution (SEK)	21	–9.23	2.37

Statement of consolidated comprehensive income

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Profit/loss for the year	–230	59
OTHER COMPREHENSIVE INCOME		
Exchange-rate differences in foreign operations	**9**	**–18**
Other comprehensive income for the year, net after tax	9	–18
Comprehensive income for the year	**–221**	**41**
Comprehensive income attributable to Parent Company shareholders	**–221**	**41**

Consolidated balance sheet

SEK M	Note	29 Feb. 2012	28 Feb. 2011
ASSETS			
Non-current assets			
INTANGIBLE ASSETS			
Goodwill	12	598	673
Other intangible non-current assets	12	14	9
Total intangible assets		**612**	**682**
TANGIBLE NON-CURRENT ASSETS			
Costs for improvements on third-party properties	13	9	5
Equipment, tools, fixtures and fittings	13	64	42
Vehicles	13	3,506	3,189
Total tangible non-current assets		**3,579**	**3,236**
FINANCIAL NON-CURRENT ASSETS			
Non-current receivables		1	1
Deferred tax assets	11	7	7
Pension supplements	22	14	-
Total financial non-current assets		**22**	**8**
Total non-current assets		**4,213**	**3,926**
Current assets			
Inventories	16	52	48
Trade receivables	17	476	441
Other current receivables		61	62
Deferred expenses and accrued income	18	208	361
Restricted bank accounts	19	153	110
Cash and cash equivalents	19	107	225
Total current assets		**1,057**	**1,247**
TOTAL ASSETS	1, 2	**5,270**	**5,173**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company shareholders	20	**–43**	**178**
NON-CURRENT LIABILITIES			
Borrowing	24	2,502	3,023
Provisions for pensions and similar commitments	22	27	16
Other provisions	23	61	81
Total non-current liabilities		**2,590**	**3,120**
CURRENT LIABILITIES			
Accounts payable		425	389
Borrowing	24	1,420	523
Other current liabilities	25	145	134
Accrued expenses and deferred income	26	733	829
Total current liabilities		**2,723**	**1,875**
Total liabilities		**5,313**	**4,995**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1, 2	**5,270**	**5,173**
PLEDGED ASSETS AND CONTINGENT LIABILITIES	27		

Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other contributed capital	Translation difference	Profit/loss brought forward	Total equity attributable to Parent Company shareholders
Opening shareholders' equity, 28 February 2010	**224**	**2,271**	**44**	**–2,402**	**137**
Comprehensive income for the year	-	-	–18	59	41
Closing shareholders' equity, 28 February 2011	**224**	**2,271**	**26**	**–2,343**	**178**
Comprehensive income for the year	-	-	9	–230	–221
Closing shareholders' equity, 29 February 2012	**224**	**2,271**	**35**	**–2,573**	**–43**

There are no non-controlling interests.

Consolidated cash-flow statement

SEK M	Note	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Cash flow from operating activities			
Profit/loss after financial items		–230	59
Adjustments for non-cash items			
– Depreciation/amortization and impairments	8	489	372
– Capital gain/loss from the disposal of non-current assets		10	7
– Unrealized foreign-exchange gains/losses		–8	–66
– Financial income	9	–4	–11
– Financial expense		246	217
– Changes in provisions, pensions, etc.		–22	–17
– Other items		32	29
Cash flow from operating activities before changes in working capital		**513**	**590**
Cash flow from changes in working capital			
Changes in inventories		–3	–10
Changes in operating receivables		124	–29
Changes in operating liabilities		–12	96
Total changes in working capital		**109**	**57**
Interest income received	9	4	10
Tax paid	11	-	-
Cash flow from operating activities		**626**	**657**
Cash flow from investing activities			
Changes in restricted bank accounts	19	–41	26
Investments in intangible assets, buildings and land, vehicles, equipment, tools and fixtures and fittings, excluding financial leasing	6, 12, 13	–115	–180
Divestment of buildings and land, vehicles, equipment, tools, fixtures and fittings	12, 13	114	16
Cash flow from investing activities		**–42**	**–138**
Cash flow from financing activities			
Amortization of financial lease liability	24	–346	–280
Amortization of loans	24	–110	–115
Interest paid	10	–248	–215
Cash flow from financing activities		**–704**	**–610**
Cash flow for the year		**–120**	**–91**
Cash and cash equivalents at the beginning of the year		**225**	**331**
Cash flow for the year		–120	–91
Exchange-rate difference		2	–15
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	19	**107**	**225**

Parent Company income statement

SEK M	Note	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Other operating income		151	133
TOTAL INCOME	1, 3	**151**	**133**
OPERATING EXPENSES			
Other external expenses	4, 5	–139	–64
Personnel costs	4, 7	–63	–49
Depreciation/amortization of intangible and tangible non-current assets	8	–13	–5
OPERATING PROFIT/LOSS	1, 2	**–64**	**15**
Profit from participations in Group companies		21	24
Financial income	9	44	44
Financial expense	10	–1	–2
NET FINANCIAL ITEMS		**64**	**66**
PROFIT BEFORE TAX		0	81
Tax	11	-	8
PROFIT FOR THE YEAR		**0**	**89**

Parent Company statement of comprehensive income

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Profit for the year	**0**	**89**
OTHER COMPREHENSIVE INCOME		
Other comprehensive income for the year, net after tax	-	-
Comprehensive income for the year	**0**	**89**

Parent Company balance sheet

SEK M	Note	29 Feb. 2012	28 Feb. 2011
ASSETS			
Non-current assets			
INTANGIBLE ASSETS			
Other intangible assets	12	13	8
Total intangible assets		**13**	**8**
TANGIBLE NON-CURRENT ASSETS			
Equipment, tools, fixtures and fittings	13	30	10
Total tangible non-current assets		**30**	**10**
FINANCIAL NON-CURRENT ASSETS			
Participations in Group companies	14	1,772	1,772
Receivables from Group companies	15	400	345
Total financial non-current assets		**2,172**	**2,117**
Total non-current assets		**2,215**	**2,135**
Current assets			
Receivables from Group companies		85	136
Other current receivables		6	10
Deferred expenses and accrued income	18	9	48
Restricted bank accounts	19	56	30
Cash and cash equivalents	19	65	9
Total current assets		**221**	**233**
TOTAL ASSETS	1	**2,436**	**2,368**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		224	224
Statutory reserve		-	-
Total restricted shareholders' equity		**224**	**224**
Non-restricted shareholders' equity	20		
Share premium reserve		612	612
Profit brought forward		1,471	1,382
Profit for the year		0	89
Total non-restricted shareholders' equity		**2,083**	**2,083**
Total shareholders' equity		**2,307**	**2,307**
Non-current liabilities			
Provisions for pensions and similar commitments	22	2	2
Other provisions		-	-
Total non-current liabilities		**2**	**2**
Current liabilities			
Accounts payable		22	9
Liabilities to Group companies		86	38
Other current liabilities	25	1	1
Accrued expenses and deferred income	26	18	11
Total current liabilities		**127**	**59**
Total liabilities		**129**	**61**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1	**2,436**	**2,368**
PLEDGED ASSETS AND CONTINGENT LIABILITIES	27		
Pledged assets		106	70
Contingent liabilities		3,821	3,945
Total pledged assets and contingent liabilities		**3,927**	**4,015**

Parent Company statement of changes in shareholders' equity

SEK M	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	Total shareholders' equity
Opening shareholders' equity, 28 February 2010	**224**	**–**	**612**	**1,376**	**6**	**2,218**
Comprehensive income for the year	-	-	-	-	89	89
Transactions with owners						
Transfer of the preceding year's profit/loss	-	-	-	6	–6	-
Total transactions with owners	**–**	**–**	**–**	**6**	**–6**	**–**
Total shareholders' equity, 28 February 2011	**224**	**–**	**612**	**1,382**	**89**	**2,307**
Comprehensive income for the year	-	-	-	-	0	0
Transactions with owners						
Transfer of the preceding year's profit/loss	-	-	-	89	–89	-
Total transactions with owners	**–**	**–**	**–**	**89**	**–89**	**–**
Total shareholders' equity per 29 February 2012	**224**	**–**	**612**	**1,471**	**0**	**2,307**

Parent Company cash-flow statement

SEK M	Note	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Cash flow from operating activities			
Profit after financial items		0	81
Adjustments for non-cash items:			
– Depreciation/amortization		13	5
– Financial income		–44	–44
– Financial expense		1	-
– Unrealized exchange gain/losses		-	3
Cash flow from operating activities before changes in working capital		**–30**	**45**
Cash flow from changes in working capital			
Changes in operating receivables		22	–105
Changes in operating liabilities		68	23
Total changes in working capital		**90**	**–82**
Received interest income		61	-
Cash flow from operating activities		**121**	**–37**
Cash flow from investing activities			
Changes in restricted bank accounts	19	–26	3
Investments in intangible and tangible non-current assets	12, 13	–39	–23
Cash flow from investing activities		**–65**	**–20**
Cash flow from financing activities		-	-
Cash flow from financing activities		**-**	**-**
Cash flow for the year		**56**	**–57**
Cash and cash equivalents at the beginning of the year		9	66
Cash flow for the year		56	–57
Cash and cash equivalents at the end of the year	19	**65**	**9**

Notes

NOTE 1 Company information and accounting policies

COMPANY INFORMATION

Nobina AB is a public limited liability company (Corporate Registration Number 556576-4569, domiciled in Stockholm) that is owned by some 30 shareholders and is the ultimate Parent Company of the Nobina Group (Nobina). The address of the head office is Armégatan 38, SE-171 71 Solna, Sweden.

Nobina AB's operations, which are conducted through subsidiaries, consist of the provision of scheduled bus services under contract to public transport authorities in Sweden, Norway, Denmark and Finland. In addition to contract bus services, Nobina also offers extensive express bus services throughout large parts of Sweden.

Nobina AB is a holding company whose primary asset comprises the investment in Nobina Europe Holding AB (with 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 2012.

The income statement and balance sheet of the Parent Company and the consolidated income statement and balance sheet will be subject to adoption by the Annual General Meeting on 15 May 2012, in Stockholm.

APPLICABLE REGULATIONS

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and the application of RFR 1 "Supplementary Accounting Rules for Groups," associated interpretations issued by the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. The financial statements for the Parent Company were prepared in accordance with the Annual Accounts Act, with application of RFR 2 "Accounting for Legal Entities." 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."

cont. **NOTE 1**

The differences that exist are due to the limitations on applying IFRS in the Parent Company due to the Swedish Annual Accounts Act (ÅRL) and, in certain cases, taxation purposes.

BASIS FOR VALUATION IN THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

Assets and liabilities are recognized 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 unrealized 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 recognized in profit and loss.

For the financial statements of subsidiaries with a functional currency other than SEK, all balance sheet items are translated at the closing day rate of exchange while income statement items are translated at the average rate during the year.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

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

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

Impairment of goodwill

The carrying amount of goodwill is tested for impairment annually and otherwise, whenever circumstances or events indicate that the carrying amount of an asset may not be recoverable. In determining the recoverable value of cash-generating units for assessment of whether goodwill is impaired, several assumptions about future conditions and estimates of variables have been made. The cash flow forecasts are based on the best-possible assessments of future income and operating expenses, which in turn are based on historical trends, general market conditions and other available information. The forecasts are performed with respect to each operating unit and are based on the respective company's profit/loss before amortization/depreciation. 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, refer to Note 12.

Excess vehicles (buses)

In assessing whether to measure excess vehicles, not used in traffic, at fair value, a number of assumptions were made about future conditions and alternatives for relocation and estimates about future resale values. Vehicles deemed as excess by management were impaired to fair value, refer to Note 13.

Tax assets

In assessing whether to measure previously accumulated loss carryforwards, refer to Note 11, management has taken into account the Group's future earnings ability, impact on the Group by currency fluctuations, as well as the Group's financial position. Group Management has decided not to capitalize any portion of the currently accumulated loss carryforwards.

Provisions for onerous contracts

The Group makes provisions for onerous contracts, where the contractual income is not sufficient to cover the direct and apportionable expenses for fulfillment of the contractual obligations. Several assumptions have been made about future conditions and estimates of variables. Refer to Note 23.

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 pace of salary increases and future pace of pension increases.

The discount rate factor reflects the interest rate level 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 factor reflects the expected annual return on existing investments. The plan assets comprise mainly interest-bearing securities and shares. The expected pace of salary increases factor 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 pace of inflation. The future pace of pension increases factor is assessed on the basis of the current age distribution of employees and expected personnel turnover.

Refinancing

Nobina Europe AB's bond loans mature on 1 August 2012. Opportunities for obtaining replacement financing are deemed favorable since the current bond loan is mainly held by shareholders in the Group and Parent Company Nobina AB.

NEW ACCOUNTING POLICIES

New and revised standards 2011/12

The changes presented below are those deemed to be relevant to the company. However, they did not have any material effect on the financial position or the results of the operations, and instead affected the presentation format and supplementary disclosures.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. This standard concerns scenarios where a company renegotiates the terms of a financial liability with creditors, and the creditor agrees to accept the company's shares or other equity instruments to settle the financial liability fully or partially.
- IAS 24 Related Party Disclosures. An amendment to the previous standard clarifies the definition of related parties and allows certain exemption for disclosures regarding related government-related entities, associates and joint ventures.
- IAS 32 Financial Instruments: Presentation. The definition of a liability has been changed, entailing, for example, that warrants issued by a company where the subscription amount is determined in a currency other than the company's functional currency will be an equity instrument when issued pro rata to existing owners.

NEW STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

Standards and interpretations not yet in force have not been applied for 2011/12. The following standards may affect the company in the future. The company has not yet analyzed the potential effects on the consolidated financial statements if they were applied.

- IFRS 7 Financial Instruments: Disclosures, an amendment pertaining to transfers of financial assets. (Enters into effect for fiscal years beginning on or after 1 July 2011).
- IFRS 9 Financial instruments. This standard is the first step toward replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard entails fewer measurement categories for financial assets and that the main categories are recognized at cost (amortized cost) or at 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 amortized cost, hedge accounting and offsetting in the balance sheet. IFRS 9 is to be applied to fiscal years beginning on or after 1 January 2013.
- IAS 12 Income Taxes. Deferred tax on assets in accordance with the revaluation method are to be

cont. **NOTE 1**

calculated on the basis of the tax consequences resulting from the sale of the property if there are no indications from the business model that the investment property will be recovered by other means. To be applied to fiscal years beginning on or after 1 January 2012.
- IFRS 10 Consolidated Financial Statements and the amended IAS 27 Separate Financial Statements. IFRS 10 replaces the section in IAS 27 relating to the preparation of consolidated financial statements. What remains in IAS 27 continues to relate to the treatment of subsidiaries, joint ventures and associated companies in separate financial statements. To be applied to fiscal years beginning on or after 1 January 2013.
- IFRS 12 Disclosures of Interest in Other Entities. Companies with holdings in subsidiaries, associated companies and joint arrangements and structured entities shall disclose this in accordance with IFRS 12. The purpose of this disclosure is to provide users of the financial statements an opportunity to understand the possible effects of the holdings in the financial statements and the potential risks involved with the current holdings. To be applied to fiscal years beginning on or after 1 January 2013.
- IFRS 13 Fair Value Measurement. IFRS 13 does not describe when a fair value is to be used but rather how it should be determined when these should, or may be used in accordance with each IFRS standard. To be applied to fiscal years beginning on or after 1 January 2013.
- IAS 1 Presentation of Financial Statements. The change means that the grouping of transactions recognized in other comprehensive income is changed. The proposal does not alter the actual content in other comprehensive income, only the presentation format. To be applied to fiscal years beginning on or after 1 July 2012. The standard has not yet been approved by the EU.
- IAS 19 Employee Benefits. The amendments involve significant changes regarding the recognition of defined benefit pension plans, for example, the possibility to defer actuarial gains and losses as part of the “corridor” may not be applied. Sensitivity analyses should be prepared with respect to reasonable changes in all the assumptions, etc. IAS 19 is to be applied to fiscal years beginning on or after 1 July 2013. The standard has not yet been approved by the EU.

SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise all companies in which Nobina AB directly or indirectly has more than 50% of the votes or otherwise has a controlling influence.

The consolidated financial statements are prepared in accordance with the acquisition method. This means that acquired subsidiaries’ assets and liabilities are recognized at fair values according to an acquisition analysis, prepared on acquisition date. If the cost for shares in the subsidiary and any holdings without a controlling influence (non-controlling interest) exceeds the fair value of the company’s identifiable net assets according to the acquisition analysis, the difference will represent consolidated goodwill, which will be tested for impairment. For every acquisition, it is determined whether holdings with a non-controlling interest will be valued at fair value or the proportional share of the acquired operation’s net assets. All acquisition-related costs are expensed. Only income arising after the acquisition date is included in the consolidated shareholders’ equity. Income from the company that was acquired during the year is included in the consolidated financial statements from the date of acquisition. Companies divested during the year are included in the consolidated income statement with income and expenses for the period up to the date of divestment.

SEGMENT REPORTING

Nobina conducts regional and interregional traffic between selected cities (Express traffic).

Regional traffic is operated in large parts of Sweden and in metropolitan areas in Finland, Denmark and Norway. The largest portion of revenue is derived from contracts with public transport authorities representing the various counties. In nearly all cases, the public transport authorities receive ticket revenues and the traffic company receives a fixed amount of compensation in payment for the contracted services.

Interregional traffic is conducted by Swebus Express (Swebus), which operates certain predetermined routes throughout Sweden. Revenue is generated by the sale of tickets to passengers.

Some of the companies also conduct chartered traffic, mainly by using vehicles and personnel during periods when these are not occupied in regular traffic operations.

The Group’s operations are governed and reported by operating segment, refer to Note 2. The accounting policies used by the reporting segments are the same as those applied in the consolidated financial statements. Nobina evaluates operations in each operating segment based on the operating profit for each reporting operating segment, and normally recognizes sales and transfers between operating segments on a third-party basis, meaning at market prices.

Group-wide 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 utilization. General administrative expenses, costs for the head office and other costs that arise at central level and are attributable to the entire company are not included in the earnings of the operating segments. The operating assets included in each operating segment include all operating assets that are used in the business activities, primarily intangible assets, tangible assets, inventories and accounts receivables. Most of these assets are directly attributable to the respective operating segment. The operating liabilities included in each operating segment include all operating liabilities that are used, accrued expenses and deferred income. Most of these liabilities are directly attributable to the respective operating segment. Estimated deferred tax and external and internal loans are not included in the operating segments’ capital employed.

INCOME RECOGNITION

Most of Nobina’s income is attributable to contracts with public transport authorities that run for a term of five to eight years, with an extension option. The public transport authorities’ contracts are generally designed so that Nobina receives a fixed fee in return for services rendered. Ticket revenues do not accrue to Nobina, but are forwarded to the public transport authorities. Most of the contracts are of the gross cost-contract type, in which compensation is based exclusively on the number of kilometers or hours driven and is entirely unrelated to the number of passengers. Under certain contracts, Nobina receives compensation based on the services performed, while other contracts provide Nobina with remuneration in advance. Regardless of the payment flows in the contractual operations, Nobina primarily recognizes the revenue when the services are rendered. 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. Some of Nobina’s contracts with public transport authorities are designed so that all or part of the compensation is based on the number of passengers, so-called net cost contracts. Revenue from these contracts is recognized on the date that the passenger travels with Nobina.

Income from interregional traffic consists of ticket revenues from the passengers. For interregional traffic, income is recognized on the date that the passenger travels with Nobina.

Income also includes income from rents, fuel sales and maintenance services. Income from these activities is recognized when the goods are delivered and the services performed or, in cases where income is obtained through operating leases, it is distributed evenly over the term of the lease.

All income is recognized excluding value added tax.

COSTS

The Group’s operating expenses pertain primarily to fuel, tires, operational leasing costs for vehicles, personnel costs, which include salaries, social security costs, pensions, costs for bus drivers, and depreciation costs for financially leased vehicles and owned vehicles.

Leasing

In the consolidated financial statements, leasing is classified as either financial leasing or operating leasing. In financial leasing, the main financial risks and benefits are transferred to the lessee. If this is not the case, the agreement is considered operational leasing. Financial leases are recognized as non-current assets in the balance sheet and the corresponding leasing commitment is recognized 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 financial 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. The financial lease payments are apportioned between the finance charge and repayment of outstanding liability to produce an average rate of interest on the recognized

cont. **NOTE 1**

liability. In the profit and loss, the lease expense is recognized as depreciation and interest expenses. For operating leases, no assets or liabilities are recognized in the balance sheet. In profit and loss, leasing expenses are recognized over the term of the lease.

Depreciation/amortization
Depreciation/amortization of intangible and tangible non-current assets is based on the historic cost and estimated useful lives of different groups of non-current assets. Depreciation/amortization 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/ amortization is calculated from the acquisition date.

Applied useful lives

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

FINANCIAL INCOME AND EXPENSES
Financial income and expenses consist of interest income on bank funds and receivables, interest expense on loans, interest expense on financially leased vehicles and realized and unrealized gains and losses attributable to financing. Interest income and expense are recognized in the period in which they arise.

TAXES
The Group's income taxes consist of current tax and deferred tax. Current tax refers to taxable profit and loss for the year. Deferred tax is calculated based on the temporary differences between the carrying amount and taxable values of assets and liabilities, as well as tax on the consolidated tax loss carryforwards. Deferred tax is calculated according to the applicable tax rate in each country. Deferred tax assets are recognized only to the extent that it is probable that these can be utilized 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 utilized to cover losses without giving rise to any taxation. In the consolidated balance sheet, untaxed reserves for the individual companies are divided between shareholders' equity and deferred tax liabilities. In the profit and loss, deferred tax is recognized as tax attributable to the change in untaxed reserves for the year.

INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

Goodwill
After initial recognition, goodwill is measured at cost, less deductions for any accumulated impairments. Goodwill is not amortized, but is tested annually and more often if there are indications of a decrease in value. Impairments are not recovered. For the purpose of testing impairment requirements, goodwill is allocated to the Group's business areas, which coincide with 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 realizable value. These calculations are based on an internal assessment of the next five years with various growth rates per segment area. Anticipated future cash flows in accordance with these assessments constitute the grounds for the calculation. Working capital changes and investment requirements have hereby been taken into account. If such an analysis indicates that the recognized amount is higher than the recoverable amount, which is the highest of fair value and value in use, the difference between the goodwill value's recognized amount and the recoverable amount is impaired. The value in use is measured as the anticipated future discounted cash flow generated by the asset.

Other intangible and tangible non-current assets
Other intangible and tangible non-current assets are recognized at historical cost less depreciation/amortization and impairment. Cost consists of the purchase consideration as well as costs directly attributable to getting the asset in place and in condition to be utilized. Any discounts and bonus from the cost are deducted from the acquisition cost.

A tangible asset is recognized as an asset when the cost can be calculated in a reliable manner and based on available information is probable that the future financial benefits are connected with the holding accruing to the company. A tangible non-current asset is recognized at the time of delivery, stated on the invoice or delivery note. The carrying amounts of non-current assets are tested continuously to establish any impairment requirements. If, on the date of the year-end report, there is an indication that a non-current asset has declined in value, a calculation is made of the asset's net realizable value and useful value. The net realizable 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 useful value or net realizable value and the carrying amount. For non-current assets to 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 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 INSTRUMENT
Financial instruments are initially recognized 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. Subsequent to initial recognition, the accounting treatment of financial liabilities depends on how they are classified, as described below.

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

A financial asset is derecognized from the balance sheet when the company's rights under the agreement are realized, expire or the company has relinquished control of the asset. The same applies to a part of a financial asset. A financial liability is derecognized 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 of group of financial assets.

The Group has not applied hedge accounting for the 2011/2012 or 2010/2011 fiscal years.

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

Loan and accounts receivable
Receivables are recognized in 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 recognized at nominal value without discounting. Impairment losses on loans and receivables are recognized in operating expenses.

Restricted bank accounts
Restricted bank accounts comprise deposits for bank guarantees and leasing contracts. Bank guarantees have been furnished as security for Nobina Norge AS and Nobina Danmark AS's traffic-contract commitments, Nobina Sverige AB and Swebus Express AB's commitments under the Swedish Travel Guarantee Act, and Nobina Sverige AB obligations in respect of electricity purchases. Nobina Sverige AB and Nobina Danmark have also deposited funds for entering leasing contracts for buses.

Cash and cash equivalents
Cash and cash equivalents consist of immediately available cash and at banks.

cont. NOTE 1

Other financial liabilities
Liabilities are classed as other financial liabilities, which means that these are initially recognized at the amount received less transaction costs and are subsequently measured at amortized cost according to 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 amortized 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 recognized at amortized cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event occurring after the date of the impairment loss.

OTHER PROVISIONS AND PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

A provision is recognized 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 only recognized if the company is demonstrably committed to terminate an employee or group of employees before the normal retirement date. In the event of termination, the company draws up a detailed plan including at least the place of work, as well as the amount of compensation for each employee and the time of the plan's implementation.

Onerous contracts
A large share of the revenues is attributable to contracts with public transport authorities where the contracts extend for between five and eight years. The contractual terms commonly stipulate that the revenues shall be adjusted upwards in accordance with set indexes, either consumer price indexes or various producer price indexes. Due to changed conditions and because the costs increase more than the revenues, the contracts can become loss or onerous contracts, which is when the remaining contracted revenues are not enough to cover the costs attributable to the contracts to fulfill the contractual commitment. A provision for future losses is then made in the period that management identifies the contract as an onerous contract. The loss is estimated by including direct and indirect costs attributable to the contract, including depreciation of buses used to fulfill the commitment. The provision is made at the public transport authority level if there is a natural connection between the various contracts. In a tender process, tenders can be submitted for multiple contracts, where some are profitable and others entail a loss, but the transaction as such provides a surplus.

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

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

Employee remuneration
Current employee remuneration is calculated without discounting and recognized 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 postemployment contributions. Under the defined benefit for Nobina Norge AS and Nobina Europe AB, benefits are paid to former employees on the basis of final salary and years of service. The Group bears the risk of ensuring that the contractual benefits are paid.

Pension obligations for most of the Swedish operations are covered by a multi-employer, defined-benefit pension plan. The plan is insured in the mutual insurance company Alecta. The Group has not had access to sufficient information to report its proportional share of the defined-benefit obligation and of the plan assets and expenses. The plan is therefore recognized as a defined-contribution plan, which means that premiums paid are recognized as an expense. In the Swedish operations, there is also a defined-benefit pension plan that is funded.

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 recognized 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.

Changes in and deviations from the actuarial assumptions normally lead to actuarial gains or losses. Actuarial gains and losses are recognized only when the accumulated gain or loss are below 10% of the higher of the present value of plan obligations and the fair value of plan assets. If the accumulated gain or loss exceeds the above-mentioned limit, the excess portion is recognized in income or expense over the expected average remaining working lives of the participating employees.

When calculation leads to an asset for the Group, the recognized value of the asset is limited to the net total of unrealized actuarial losses and past service costs and the present value of any benefits available in the form of refunds or reductions in future employer contributions to the plan.

OPTIONS REGARDING SHARES IN NOBINA AB

Received option premiums are recognized directly against equity. When an issued share option is repurchased, the remuneration paid is recognized against shareholder' equity.

EARNINGS PER SHARE

Earnings per share before dilution are calculated by dividing profit/loss for the year by the average number of common shares.

CASH FLOW

The cash flow statement has been prepared based on profit and loss and other changes between the opening and closing balances in the balance sheet, taking into account translation differences. The cash flow was prepared according to the indirect method. The recognized 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/amortization and unrealized exchange-rate differences, since they are not cash-based items. Realized profits and losses in connection with the divestment of assets are eliminated since the cash effect of divesting non-current assets is recognized separately under cash flow from investing activities.

PARENT COMPANY ACCOUNTING POLICIES

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

Group contribution for legal entities
As of 2011/12, Group contributions that Nobina AB receives from subsidiaries are recognized as financial income, and Group contributions that Nobina AB pays to subsidiaries are recognized as participations in subsidiaries, similar to 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. 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 recognized in the Parent Company according to the cost method. All dividends from subsidiaries are recognized 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.

NOTE 2 Nobina's operating segments

2011/2012	Nobina Sweden	Nobina Denmark	Nobina Norway	Nobina Finland	Elimination (*)	Total Regional traffic	Swebus (**)	Total Interregional traffic	Central functions and other items	Elimination	Total
Revenue	4,905	325	718	775	–43	6,680	370	370	151	–151	7,050
Operating profit/loss	295	–33	–128	12	-	146	–4	–4	–105	-	37
EBIT (%)	6.0	–10.1	–17.8	1.5	-	2.2	–1.1	–1.1	-	-	0.5
Of which operational leasing expenses	197	22	8	17	-	244	2	2	-	-	246
Depreciation/amortization and impairment	264	11	138	42	-	455	20	20	14	-	489
Of which depreciation of financial leasing assets	202	7	38	29	-	276	19	19	-	-	295
EBITDAR (%)	15.4	0	2.5	9.2	-	12.6	4.9	4.9	-	-	10.9
Total assets	3,132	164	1,109	459	-	4,864	188	188	218	-	5,270
Of which intangible assets, goodwill	383	-	141	29	-	553	45	45	-	-	598
Of which financial leasing assets	2,134	95	640	304	-	3,173	122	122	-	-	3,295
Investments in tangible and financial assets for the year	515	23	254	29	-	821	-	-	39	-	860
Total liabilities	2,863	145	803	450	-	4,261	165	165	887	-	5,313
Of which financial leasing liabilities	2,042	92	620	277	-	3,031	116	116	-	-	3,147
Average number of employees	6,408	469	965	1,026	-	8,868	467	467	52	-	9,387
Number of employees translated to FTEs	4,621	334	843	915	-	6,713	242	242	53	-	7,008

2010/2011	Nobina Sweden	Nobina Denmark	Nobina Norway	Nobina Finland	Elimination (*)	Total Regional traffic	Swebus (**)	Total Interregional traffic	Central functions and other items	Elimination	Total
Revenue	4,459	323	783	756	–54	6,267	430	430	133	–133	6,697
Operating profit/loss	242	–53	21	7	-	217	40	40	–25	-	232
EBIT (%)	5.4	–16.4	2.7	0.9	-	3.5	9.3	9.3	-	-	3.5
Of which operational leasing expenses	210	31	8	14	-	263	3	3	-	-	266
Depreciation/amortization and impairment	231	10	58	42	-	341	21	21	10	-	372
Of which depreciation of financial leasing assets	157	6	35	26	-	224	19	19	-	-	243
EBITDAR (%)	15.3	–3.7	11.1	8.3	-	13.1	14.9	14.9	-	-	13.0
Total assets	3,109	147	912	491	-	4,659	216	216	298	-	5,173
Of which intangible assets, goodwill	383	-	216	29	-	628	45	45	-	-	673
Of which financial leasing assets	1,885	81	408	310	-	2,684	145	145	-	-	2,829
Investments in tangible and financial assets for the year	649	100	32	75	-	856	38	38	17	-	911
Total liabilities	2,781	147	501	441	-	3,870	190	190	935	-	4,995
Of which financial leasing liabilities	1,827	80	396	291	-	2,594	139	139	-	-	2,733
Average number of employees	5,861	445	1,157	1,035	-	8,498	481	481	44	-	9,023
Number of employees translated to FTEs	5,397	355	829	846	-	7,427	243	243	44	-	7,714

* Elimination between Regional and Interregional traffic.
* * The greater part of Swebus' business is attributable to Sweden.

NOTE 3 Net sales

Sales include other operating income, which primarily consists of revenue from leasing, the sale of fuel and diesel and revenue from workshop services to external customers. Sales to one major customer in the Nobina Sweden segment represent 21% (23) of the Group's sales.

	Group		Parent Company	
Distribution of revenue, SEK M	**1 March 2011 –29 Feb. 2012**	**1 March 2010 –28 Feb. 2011**	**1 March 2011 –29 Feb. 2012**	**1 March 2010 –28 Feb. 2011**
Revenue Regional and Interregional traffic	6,877	6,530	-	-
Leasing, workshop services and sale of diesel	14	16	-	-
Other revenue	159	151	-	-
Sales to Group companies	-	-	151	133
Total revenue	**7,050**	**6,697**	**151**	**133**

NOTE 4 Operating expenses

	Group		Parent Company	
SEK M	**1 March 2011 –29 Feb. 2012**	**1 March 2010 –28 Feb. 2011**	**1 March 2011 –29 Feb. 2012**	**1 March 2010 –28 Feb. 2011**
Fuel	1,141	993	-	-
Tires and other consumables	583	514	-	-
Total fuel, tires and other consumables	**1,724**	**1,507**	**-**	**-**
Leasing expenses	246	266	-	-
Other external expenses	1,016	905	139	64
Total other expenses	**1,262**	**1,171**	**139**	**64**
Salary expenses	2,631	2,563	38	30
Employer's contributions	626	605	12	11
Pension expenses	194	173	9	6
Other personnel costs	77	67	4	2
Total personnel costs	**3,528**	**3,408**	**63**	**49**

NOTE 5 Fees and remuneration to auditors

	Group		Parent Company	
Fees and compensation to auditors, SEK thousand	**1 March 2011 –29 Feb. 2012**	**1 March 2010 –28 Feb. 2011**	**1 March 2011 –29 Feb. 2012**	**1 March 2010 –28 Feb. 2011**
Ernst & Young				
Audit assignment	3,994	3,618	566	372
Associated audit services in addition to audit assignment	-	1,295	-	776
Tax advisory services	-	39	-	-
Other services	-	-	-	-
Total	**3,994**	**4,952**	**566**	**1,148**

NOTE 6 Leasing

FINANCIAL LEASING CONTRACTS, VEHICLES

Finance lease assets	Group	
SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Cost		
Opening balance	3,485	2,841
New contracts signed during the year	745	731
Sales for the year	–6	–17
Exchange-rate difference	23	–70
Closing cost	**4,247**	**3,485**
Accumulated depreciation		
Opening accumulated depreciation	–656	–437
Depreciation for the year	–295	–243
Sales for the year	2	15
Exchange-rate difference	–3	9
Closing accumulated depreciation	**–952**	**–656**
Residual value according to plan	**3,295**	**2,829**

During the year, the Group entered into financial lease contracts for SEK 745 million (731) via the subsidiary Nobina Fleet AB. Assets held as finance leases are depreciated in accordance with the same depreciation principles as owned assets. The grounds for how the company's fees are established based on the lease terms. The leasing expenses are normally based on either straight-line amortization or an annuity payment with variable amortization over time. The proportion of straight-line amortization amounts to 50%. The Nobina Group's standard contracts have a duration of more than 10 years at 10% 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. The Nobina Group 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.

FINANCIAL LEASING ASSETS PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	2,134	1,885
Nobina Denmark	95	81
Nobina Norway	640	408
Nobina Finland	304	310
Total Regional traffic	**3,173**	**2,684**
Swebus	122	145
Total Interregional traffic	**122**	**145**
Total Financial leasing assets	**3,295**	**2,829**

FINANCIAL LEASING LIABILITIES PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	2,042	1,827
Nobina Denmark	92	80
Nobina Norway	620	396
Nobina Finland	277	291
Total Regional traffic	**3,031**	**2,594**
Swebus	116	139
Total Interregional traffic	**116**	**139**
Total Financial leasing liabilities	**3,147**	**2,733**

FINANCIAL LEASING EXPENSES PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	339	241
Nobina Denmark	12	10
Nobina Norway	70	68
Nobina Finland	47	40
Total Regional traffic	**468**	**359**
Swebus	26	25
Total Interregional traffic	**26**	**25**
Total Financial leasing expenses	**494**	**384**

DEPRECIATION OF FINANCIAL LEASING ASSETS PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	202	157
Nobina Denmark	7	6
Nobina Norway	38	35
Nobina Finland	29	26
Total Regional traffic	**276**	**224**
Swebus	19	19
Total Interregional traffic	**19**	**19**
Total depreciation of capitalized leases per segment	**295**	**243**

INTEREST EXPENSES FOR FINANCIAL LEASING LIABILITIES PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	103	55
Nobina Denmark	4	3
Nobina Norway	25	24
Nobina Finland	10	7
Total Regional traffic	**142**	**89**
Swebus	6	5
Total Interregional traffic	**6**	**5**
Total interest expenses for financial leases per segment	**148**	**94**

Distribution of future minimum leasing fees with regard to finance leases and their present value divided by maturity date

EXPECTED MATURITY 1 MARCH 2012 AND LATER	Q1	Q2	Q3	Q4	2013/14	2014/15	2015/16	Later	Total
Future minimum leasing fees	137	254	144	128	610	525	583	1,312	**3,693**
Present value of future minimum leasing fees	136	248	139	122	563	461	482	996	**3,147**

Distribution of future minimum leasing fees with regard to finance leases and their present value divided by maturity date

EXPECTED MATURITY 1 MARCH 2011 AND LATER	Q1	Q2	Q3	Q4	2012/13	2013/14	2014/15	Later	Total
Future minimum leasing fees	113	111	115	111	544	496	414	1,292	**3,196**
Present value of future minimum leasing fees	111	109	112	106	503	438	351	1,003	**2,733**

cont. **NOTE 6**

FUTURE MINIMUM LEASING FEES WITH REGARD TO FINANCE LEASES AND THEIR PRESENT VALUE DIVIDED BY MATURITY DATE

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Total future minimum leasing fees	3,693	3,196
Less interest charge	–546	–463
Present value of future minimum leasing fees	**3,147**	**2,733**

OPERATING LEASES, VEHICLES

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Operating leasing fees for the year	246	266
Number of operating leases	1,225	1,494

FUTURE MINIMUM LEASING FEES REGARDING NON-CANCELLABLE OPERATING LEASES

Total future minimum leasing fees	674	1,116
Less interest charge	–68	–134
Present value of future minimum leasing fees	**606**	**982**

The grounds for how variable fees are established based on the lease terms. The leasing expenses are normally based on either straight-line amortization or an annuity payment with variable amortization over time. The proportion of contracts with annuity payments is approximately 95% 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% and then extensions of up to seven years and down to 0% in 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 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.

OPERATIONAL LEASING EXPENSES PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	197	210
Nobina Denmark	22	31
Nobina Norway	8	8
Nobina Finland	17	14
Total Regional traffic	**244**	**263**
Swebus	2	3
Total Interregional traffic	**2**	**3**
Total operational leasing expenses per segment	**246**	**266**

NOMINAL VALUE OF FUTURE MINIMUM LEASING FEES PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	572	964
Nobina Denmark	49	72
Nobina Norway	10	18
Nobina Finland	42	58
Total Regional traffic	**673**	**1,112**
Swebus	1	4
Total Interregional traffic	**1**	**4**
Total nominal value of future minimum leasing fees per segment	**674**	**1,116**

PRESENT VALUE OF FUTURE MINIMUM LEASING FEES WITH REGARD TO OPERATING LEASES PER SEGMENT

SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Nobina Sweden	509	839
Nobina Denmark	47	69
Nobina Norway	10	16
Nobina Finland	39	53
Total Regional traffic	**605**	**977**
Swebus	1	5
Total Interregional traffic	**1**	**5**
Total present value of future minimum leasing fees per segment	**606**	**982**

Distribution of future minimum leasing fees with regard to operating leases by maturity date

EXPECTED MATURITY 1 MARCH 2012 AND LATER	Q1	Q2	Q3	Q4	2013/14	2014/15	2015/16	Later	Total
Future minimum leasing fees	55	53	49	45	145	96	52	179	**674**
Present value of future minimum leasing fees	55	52	48	43	137	87	45	139	**606**

Distribution of future minimum leasing fees pertaining to operating leases by maturity date

EXPECTED MATURITY 1 MARCH 2011 AND LATER	Q1	Q2	Q3	Q4	2012/13	2013/14	2014/15	Later	Total
Future minimum leasing fees	59	83	59	63	233	176	124	319	**1,116**
Present value of future minimum leasing fees	59	82	57	61	221	160	109	233	**982**

OTHER OPERATING LEASES

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

SEK M	1 March 2011 –29 Feb. 2012	2012/2013	2013/2014	2014/2015	2015 and later
Property rents	138	139	148	126	109
Leases for vehicles excluding buses	3	3	2	-	-
Other operating leases	-	-	-	-	-
Total nominal value of other operating leases	**141**	**142**	**150**	**126**	**109**

NOTE 7 Personnel

	Group		Parent Company	
	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Average number of employees	9,387	9,023	52	44
of whom men	8,076	7,709	36	31
of whom women	1,311	1,314	16	13
Number of employees translated to FTEs	**7,008**	**7,714**	**53**	**44**
Sweden	6,927	6,386	52	44
of whom men	5,844	5,332	36	31
of whom women	1,083	1,054	16	13
Number of employees translated to FTEs	**4,916**	**5,684**	**53**	**44**
Denmark	469	445	–	–
of whom men	406	388	–	–
of whom women	63	57	–	–
Number of employees translated to FTEs	**334**	**355**	**–**	**–**
Norway	965	1,157	–	–
of whom men	855	1,012	–	–
of whom women	110	145	–	–
Number of employees translated to FTEs	**843**	**829**	**–**	**–**
Finland	1,026	1,035	–	–
of whom men	971	977	–	–
of whom women	55	58	–	–
Number of employees translated to FTEs	**915**	**846**	**–**	**–**

	1 March 2011–29 Feb. 2012			1 March 2010–28 Feb. 2011		
SALARIES AND OTHER REMUNERATION	Salaries and other remuneration	Payroll overheads	Of which pension costs	Salaries and other remuneration	Payroll overheads	Of which pension costs
Parent Company	38	21	9	30	17	6
Subsidiaries in Sweden	1,740	621	90	1,662	590	77
Total Sweden	**1,778**	**642**	**99**	**1,692**	**607**	**83**
Foreign subsidiaries						
Denmark	166	24	17	170	23	17
Norway	322	68	17	338	65	10
Finland	365	86	61	363	83	63
Total foreign subsidiaries	**853**	**178**	**95**	**871**	**171**	**90**
Total Group	**2,631**	**820**	**194**	**2,563**	**778**	**173**

cont. **NOTE 7**

BOARD MEMBERS AND SENIOR EXECUTIVES

	29 Feb. 2012		28 Feb. 2011	
Group	Number	Of whom men	Number	Of whom men
Board of Directors	5	80%	6	83%
President and senior executives	15	93%	14	71%

REMUNERATION AND OTHER BENEFITS TO THE BOARD DURING THE YEAR

	Group	
SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Board Chairman		
Jan Sjöqvist	0.6	0.6
Board members		
Jan Sundling	0.2	0.2
Birgitta Kantola	0.2	0.2
Tomas Naess	0.0	0.0
Richard Cazenove	0.0	0.0
Gunnar Reitan	0.0	0.0
Rolf Lydahl	0.2	0.2
Total	**1.2**	**1.2**

REMUNERATION TO THE BOARD CHAIRMAN AND OTHER BOARD MEMBERS

Remuneration to the Chairman and other members of the Board is paid according to the decision of the Annual General Meeting. No remuneration in excess of that decided by the Annual General Meeting is paid. The President receives no Board fees. During the year, Nobina AB paid pension benefits to former Board members in an amount of SEK 0.1 million (0.1), where the Board members are entitled to lifelong remuneration from the company. Two previous members from Group management are entitled to lifelong remuneration from the company, which is secured through endowment insurance, SEK 13 million.

	1 March 2011–29 Feb. 2012			1 March 2010–28 Feb. 2011		
DISTRIBUTION OF SALARIES AND OTHER REMUNERATION BY COUNTRY AND BETWEEN THE GROUP'S SENIOR EXECUTIVES AND OTHER EMPLOYEES	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	11	1	27	12	2	18
Subsidiaries in Sweden	9	1	1,731	8	2	1,654
Total Sweden	**20**	**2**	**1,758**	**20**	**4**	**1,672**
Foreign subsidiaries						
Denmark	2	-	164	2	-	168
Norway	1	-	321	2	-	336
Finland	2	-	363	3	-	360
Total foreign subsidiaries	**5**	**–**	**848**	**7**	**–**	**864**
Total Group	**25**	**2**	**2,606**	**27**	**4**	**2,536**

cont. **NOTE 7**

REMUNERATION TO THE PRESIDENT AND CEO OF NOBINA AB

	Group	
SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Fixed fee	4.6	4.5
Variable remuneration *)	0.6	1.2
Pension expenses	1.3	1.4
Social security contributions and taxes	1.9	1.9
Total	**8.4**	**9.0**

*) In addition to the stated remuneration to the President, there is also an accrued share-based payment of SEK 1.7 M, which has not yet been utilized.

NUMBER OF SHARES TO THE BOARD AND SENIOR EXECUTIVES

Number of shares	29 Feb. 2012	28 Feb. 2011
Chairman of the Board		
Jan Sjöqvist	65,363	65,363
Board members		
Richard Cazenove	-	-
Jan Sundling	13,779	13,779
Birgitta Kantola	-	-
Thomas Naess	-	-
Gunnar Reitan	-	-
Rolf Lydahl	14,696	14,696
Senior executives		
Ragnar Norbäck	101,112	101,112
Per Skärgård	35,745	35,745
Jan Bosaeus	26,000	26,000
Joakim Palmqvist	8,334	8,334
Tom Ward	8,250	8,250
Sjur Brenden	10,428	10,428
Niels Peder Nielsen	-	-
Martin Pagrotsky	1,667	1,667
Anna Jonasson	-	-
Lars Åkesson	-	-
Jens Råsten	-	-
Oscar Bondesson	-	-
Peter Hagert	-	-
Henrik Birath	-	-
Peter Hansson	-	-
Other senior executives	102,668	102,668
Total number of shares, calculated after implemented reversed 9 for 1 split	**388,042**	**388,042**

SHARE OPTION PROGRAMS

Nobina AB has previously issued three share option programs: Program 1, issued on June 24, 2005, consisted of 1,052,000 warrants (buyback November 3, 2008); Program 2, issued on November 8, 2005, consisted of 304,569 warrants (buyback November 3, 2008) and Program 3, issued on January 19, 2009, consisted of 1,640,925 share option (buyback 2009/2010).

Nobina AB bought back all warrants issued by the company. Compensation for the redemption of issued warrants comprises in cash according to an independent market valuation of the warrants.

The fundamental motive for the buyback of warrants is that there is currently no organized trading of the company's shares.

At the redemption date, holders of the issued warrants have also undertaken to reinvest part of the proceeds in shares in Nobina AB. The shares in Nobina AB were acquired at market value, according to an external valuation.

REMUNERATION OF PRESIDENT AND SENIOR EXECUTIVES

Senior executives in the Nobina Group include the President, CFO, presidents of subsidiaries, positions reporting directly to the President and the Group's functions responsible for processes. The total remuneration to the President and CEO and other senior executives includes fixed salaries, short and long-term variable remuneration, pensions and other benefits. In the event of termination of employment, senior executives in the Nobina Group are entitled to a maximum of 12 monthly salaries. As a rule, there is a six-month mutual term of notice between the company and the senior executive. In addition, a maximum of six months' compensation may be paid in the event that the company has terminated employment. For the President and CEO and other senior executives employed in Sweden, a supplemental pension plan is applied in addition to the ITP plan.

Variable remuneration to the President

In addition to fixed remuneration, the President is entitled to a special bonus. Variable compensation shall be based on the individual's performance and the company's performance in relation to predetermined and established goals. Evaluation of these goals shall take place annually. Variable compensation shall also include a cash bonus as determined by the Board of Directors and, for the President, share-based payment of which compensation in shares may be able to amount to a maximum of 140% of the President's fixed annual salary to be paid out over three years. Share-based payment shall be conditional upon the Annual General Meeting taking the required decisions for delivery of shares according to the established share-based payment.

Pension terms for the President

The retirement age for the President of the Parent Company is 62. Pension expenses for the company are reduced to 90% of salary on retirement at the age of 62–63, 80% of salary on retirement at the age of 63–64 and 70% of salary on retirement at the age of 64–65. Nobina AB's obligations to the President cease on retirement at 65 years of age. Pension expenses comprise defined-contribution pensions, for which the premium is equal to 30% of pensionable salary. Pensionable salary comprises basic salary as long as the President remains in the company's employment. Severance benefits are pensionable.

Pension terms for other members of Group management

Pension expenses comprise defined-contribution pensions, for which the premium is equal to a maximum of 30% of pensionable salary. Endowment insurance has in some cases been used for senior executives when the level of the pension form the company has promised exceeds the permitted amounts of the Income Tax Act.

Sick pay for the President

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

Other employment benefits of the President

Aside from the described taxable benefits, there is also healthcare insurance and holdings of shares in Nobina AB.

Vacation for the President and other senior executives

The President and other senior executives comply with applicable vacation rights.

SENIOR EXECUTIVES

Senior executives (Group management) in the Parent Company are the President who is also the CEO, the CFO who is also the Vice President of the Group, the President of Nobina Sverige AB who is also the Vice President of the Group, the President of Swebus Express AB and the Group's HR Manager.

	29 Feb. 2012		28 Feb. 2011	
Parent Company	Number	Of whom men	Number	Of whom men
Board of Directors	5	80%	6	83%
Presidents and senior executives	5	100%	4	100%

NOTE 8 Depreciation/amortization of and impairment losses on intangible and tangible fixed assets

	Group		Parent Company	
SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Goodwill	84	-	-	-
Other intangible non-current assets	5	3	5	2
Costs for improvements on third-party properties	3	2	-	-
Equipment, tools, fixtures and fittings	21	18	8	3
Vehicles	376	349	-	-
Total	**489**	**372**	**13**	**5**

Impairments for the year with regard to buses for sale are SEK 8 million (6) in Nobina Sweden, SEK 4 million (3) in Nobina Finland and SEK 1 million (5) in Nobina Norway.

NOTE 9 Interest income and similar profit/loss items

	Group		Parent Company	
SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Financial income	-	-	-	-
Interest income	4	11	-	-
Interest income from Group companies	-	-	44	44
Total	**4**	**11**	**44**	**44**

The Group earns interest on its bank deposits according to an interest rate based on the bank's daily investment interest rates. Of the above interest income and similar profit/loss items, SEK 4 million (10) was paid during the year.

NOTE 10 Interest expense and similar profit/loss items

	Group		Parent Company	
SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Interest expense, financial leasing	–148	–94	-	-
Interest expense, bond loans	–107	–124	-	-
Other financial expenses	–20	–32	–1	-
Realized and unrealized exchange gains/loss, net	4	66	-	–2
Total	**–271**	**–184**	**–1**	**–2**

Interest expense amounted to SEK 248 million (expense: 215) and is attributable to liabilities recognized at amortized cost.

NOTE 11 Taxes

	Group		Parent Company	
SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Tax attributable to previous years	-	-	-	-
Current tax	-	-	-	-
Deferred tax	-	-	-	8
Total tax recognized in the income statement	**-**	**-**	**-**	**8**

	Group		Parent Company	
The difference the Group's recognized tax cost and the estimated tax cost is based on the applicable tax rates and described below: SEK M	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Tax recognized in the income statement	-	-	-	8
26% tax on profit before taxes	60	–15	-	–15
Difference	60	15	-	23
The difference comprises the following items:				
Group contributions received/granted	-	-	5	8
Utilization/addition of previously non-capitalized loss carryforwards	60	–15	–5	15
Total	**60**	**–15**	**0**	**23**

The corporate tax rate in Norway is 28%, Denmark 25%, and in Finland and Sweden 26.3%. Current tax declined by SEK 60 million (–15) due to the utilization of loss carryforwards.

	Group		Parent Company	
Tax assets and tax liabilities, SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Deferred tax assets				
Opening carrying amount	7	8	-	-
Exchange-rate differences	-	–1	-	-
Total deferred tax assets	**7**	**7**	**-**	**-**
Deferred tax liabilities *)	**-**	**-**	**-**	**-**
Net deferred tax assets and tax liabilities pertaining to loss carryforwards *)	**7**	**7**	-	-

*) The net amount includes deferred tax liabilities of SEK 39 million (25) pertaining to financial leasing, which was offset against capitalized loss carryforwards.

	Group		Parent Company	
Non-recognized, deferred tax assets, SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Opening non-recognized amount	489	488	113	136
Utilization/addition of previously non-capitalized loss carryforwards	60	–15	5	–15
Postponed depreciation/amortization, impairments and fair value adjustments	–9	12	-	-
Group contributions	-	-	–5	–8
Non-taxable revenue and non-deductible expenses	–1	-	-	-
Other temporary differences	–2	3	-	-
Reclassifications from previous years	-	6	–1	-
Exchange-rate differences	3	–5	-	-
Total deferred non-recognized tax assets	**540**	**489**	**112**	**113**
Offset of deferred tax liabilities	–39	–25	-	-
Total deferred non-recognized tax assets	**501**	**464**	**112**	**113**

Expected maturity of taxable loss carryforwards, SEK M				
2012/13	-	-	-	-
2013/14	-	1	-	-
2014/15	16	21	-	-
2015/16	19	19	-	-
2016/17	17	17	-	-
2017/18	17	17	-	-
Unlimited	2,031	1,826	431	432
Total	**2,100**	**1,901**	**431**	**432**

NOTE 12 Intangible non-current assets

Distribution of goodwill per segment, SEK M	Group 29 Feb. 2012	Group 28 Feb. 2011
Nobina Sweden	383	383
Nobina Denmark	-	-
Nobina Norway (goodwill corresponding to (NOK 118 million (189))	141	216
Nobina Finland	29	29
Total Regional traffic	**553**	**628**
Swebus	45	45
Total Interregional traffic	**45**	**45**
Total Group goodwill	**598**	**673**

Group management has prepared the usual "impairment test." In the assessment of cash-generating units' recovery amount for the assessment of any impairment requirement of goodwill, several assumptions of future conditions and estimates of variables were made to forecast future cash flows. Forecasts for future cash flow are based on the best possible assessments of future income and operating expenses, which in turn are based on historical trends, general market conditions and other available information. The discounted cash-flow value, given an explicit five-year forecast period and subsequently a so-called terminal value, is based on each company's income before amortization, which affects the units' existing and future market shares. The growth pace was calculated separately for each business area over a five-year period. Thereafter, the pace of growth was calculated as 0% (0). The cash flow forecasts are calculated at present value with a yield requirement, WACC, of 14.0% (13.7). The results of this evaluation demonstrate that, in our accounts, we have a carrying amount for allocated goodwill that exceeds Nobina Norway's recoverable amount. Accordingly, Group management states that we have an impairment requirement for allocated goodwill of SEK 84 million attributable to Nobina Norway, which was impaired in a corresponding amount.

	29 Feb. 2012				28 Feb. 2011			
	Nobina Sweden	Nobina Norway	Nobina Finland	Swebus	Nobina Sweden	Nobina Norway	Nobina Finland	Swebus
Forecasted operational profit margin	5%	2%	6%	8%	6%	6%	4%	9%
Sales growth over five-year period	2%	10%	4%	3%	3%	5%	5%	9%
Discount pace before tax with present value calculation of the estimated future cash flows	14.0%	14.0%	14.0%	14.0%	13.7%	13.7%	13.7%	13.7%

SENSITIVITY ANALYSIS

Carrying amounts pertaining to Nobina Norway after impairment for the year are in line with calculated value in use. One or more negative changes to variables in the impairment test could thus entail an impairment of the carrying amount. For other cash-generating units, management assesses that potential changes to the variables would not have such major effects that the recoverable amount is reduced to a value that is lower than the carrying amount.

	Group		Parent Company	
Other intangible non-current assets, SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
COST				
Opening cost	24	16	10	-
Procurement	10	6	10	10
Reclassification	1	2	14	-
Closing cost	**35**	**24**	**34**	**10**
ACCUMULATED AMORTIZATION				
Opening accumulated amortization	–15	–11	–2	-
Amortization for the year	–5	–3	–5	–2
Reclassification	–1	–1	–14	-
Closing accumulated amortization	**–21**	**–15**	**–21**	**–2**
Residual value according to plan	**14**	**9**	**13**	**8**

Other intangible assets pertain primarily to internal software development.

NOTE 13 Tangible non-current assets

Cost for improvements on third-party properties, SEK M	Group		Parent Company	
	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
COST				
Opening cost	16	16	-	-
Procurement	6	1	-	-
Reclassification	-	–1	-	-
Closing cost	**22**	**16**	**-**	**-**
ACCUMULATED DEPRECIATION				
Opening accumulated depreciation	–11	–9	-	-
Depreciation for the year	–3	–2	-	-
Reclassification	1	-	-	
Closing accumulated depreciation	**–13**	**–11**	**-**	**-**
Residual value according to plan	**9**	**5**	**-**	**-**

Equipment, tools, fixtures and fittings, SEK M	Group		Parent Company	
	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
COST				
Opening cost	146	138	13	-
Procurement	46	22	29	13
Sales/disposals	-	–7	-	-
Reclassification	–4	–5	27	-
Translation difference	-	–2	-	-
Closing cost	**188**	**146**	**69**	**13**
ACCUMULATED DEPRECIATION				
Opening accumulated depreciation	–104	–96	–3	-
Sales/disposals	-	6	-	-
Depreciation for the year	–21	–18	–8	–3
Reclassification	1	2	–28	-
Translation difference	-	2	-	-
Closing accumulated depreciation	**–124**	**–104**	**–39**	**–3**
Residual value according to plan	**64**	**42**	**30**	**10**

Vehicles, SEK M	Group		Parent Company	
	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
COST				
Opening cost	4,602	4,125	-	-
Procurement	798	882	-	-
Sales/disposals	–505	–294	-	-
Reclassification	-	–7	-	-
Translation difference	31	–104	-	-
Closing cost	**4,926**	**4,602**	**-**	**-**
ACCUMULATED DEPRECIATION				
Opening accumulated depreciation	–1,389	–1,360	-	-
Sales/disposals	357	265	-	-
Depreciation for the year	–363	–335	-	-
Reclassification	-	9	-	-
Translation difference	–8	32	-	-
Closing accumulated depreciation	**–1,403**	**–1,389**	**-**	**-**
ACCUMULATED IMPAIRMENT				
Opening accumulated impairment	–24	–17	-	-
Sales/disposals	20	7	-	-
Impairment for the year	–13	–14	-	-
Closing accumulated impairment	**–17**	**–24**	**-**	**-**
Residual value according to plan	**3,506**	**3,189**	**-**	**-**

Financial leasing is included in the aforementioned amounts, refer to Note 6, and impairment of buses for sale, refer to Note 8. Impairment for the year pertains to buses where the net realizable value is lower than the carrying amount.

NOTE 14 Participations in Group companies (Parent Company)

SEK M	Parent Company 29 Feb. 2012	Parent Company 28 Feb. 2011
COST		
Opening balance	2,176	2,176
Closing balance	**2,176**	**2,176**

SEK M	Parent Company 29 Feb. 2012	Parent Company 28 Feb. 2011
ACCUMULATED IMPAIRMENTS		
Opening balance	–404	–404
Closing balance	**–404**	**–404**
Carrying amount	1,772	1,772

SEK M	Corp. Reg. No	Shareholders' equity	Number of shares	Profit/loss for the year	Value of ownership share (%)	Share capital	Carrying amount 29 Feb. 2012
Nobina Fleet AB (Stockholm)	556031-1812	7	70,000	14	100	7	16
Subsidiaries of Nobina Fleet AB:							
Nobina Fleet Danmark ApS (Glostrup)	31586429	0	1,250	–1	100	0	
Nobina Europe Holding AB (Stockholm)	556028-1122	487	300	–143	100	0	1,756
Subsidiaries of Nobina Europe Holding AB:							
Swedish commercial companies							
Nobina Europe AB (Stockholm)	556031-8569	146	160,000	117	100	16	
Subsidiaries of Nobina Europe AB:							
Nobina Busco AB (Stockholm)	556583-0527	7	1,000	–20	100	0	
Swebus Express AB (Stockholm)	556358-3276	8	5,000	–22	100	5	
Nobina Sverige AB (Stockholm)	556057-0128	431	3,000	121	100	0	
Subsidiaries of Nobina Sverige AB:							
Nobina Flexresor AB (Stockholm)	556416-2419	1	1,000	–2	100	0	
Foreign commercial subsidiaries							
Nobina Finland Oy Ab (Helsinki)	0505988-8	63	2,000	9	100	33	
Subsidiaries of Nobina Finland Oy Ab:							
Nobina Finland West Oy Ab (Helsinki)	2175179-4	–18	2,600	–8	100	0	
Nobina Finland South Oy Ab (Helsinki)	2175178-6	–15	2,600	–5	100	0	
Nobina Finland East Oy Ab (Helsinki)	2175186-6	0	2,600	0	100	0	
Nobina Norge AS (Oslo)	915768237	–36	1,000	–95	100	12	
Subsidiaries of Nobina Norge AS:							
Nobina (Norway) AS (Oslo)	992097353	0	100	0	100	0	
Nobina Danmark A/S (Copenhagen)	29513376	9	1,250	–40	100	1	
Dormant companies							
Karlstadsbuss AB (Stockholm)	556051-2039	31	3,000	0	100	3	
Saltsjöbuss AB (Stockholm)	556210-1500	1	2,500	0	100	0	
Total							**1,772**

NOTE 15 Receivables from Group companies

	Group		Parent Company	
SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Cost				
Opening cost	-	-	345	290
Change for the year	-	-	55	55
Closing cost	**-**	**-**	**400**	**345**

NOTE 16 Inventories

	Group		Parent Company	
SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Spare parts	22	23	-	-
Fuel	30	25	-	-
Total	**52**	**48**	**-**	**-**

NOTE 17 Accounts receivable

	Group		Parent Company	
SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Accounts receivable	482	452	-	-
Provision for doubtful debts	–6	–11	-	-
Total	**476**	**441**	**-**	**-**

MATURITY PERIOD FOR OUTSTANDING ACCOUNTS RECEIVABLE

SEK M	Accounts receivable 29 Feb. 2012	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 within 120 days after the due date
Accounts receivable	482	400	34	29	13	2	4

SEK M	Accounts receivable 28 Feb. 2011	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 within 120 days after the due date
Accounts receivable	452	433	3	1	-	10	5

PROVISION FOR DOUBTFUL DEBTS

	Group	
SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	–11	–5
Reversals for the year	4	1
Loan losses	0	–1
Provisions for the year	1	–6
Total	**–6**	**–11**

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

NOTE 18 Prepaid expenses and accrued income

	Group		Parent Company	
SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Accrued transport income	95	199	-	-
Other prepaid expenses	113	162	9	48
Total	**208**	**361**	**9**	**48**

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

NOTE 19 Cash and cash equivalents and restricted bank accounts

	Group		Parent Company	
SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Cash and cash equivalents	107	225	65	9
Restricted bank accounts	153	110	56	30

The item cash and cash equivalents recognizes holdings in the company's checking accounts tied to the Group account, in which Nobina is the account principal. Restricted bank accounts comprise bank guarantees and leasing contracts. Bank guarantees have been issued for such purposes as guarantees for Nobina Norge AS and Nobina Danmark's commitments pertaining to traffic contracts in Norway and Denmark, Nobina Sverige AB's and Swebus Express' commitments under the Swedish Transport Guarantee Act and Nobina Sverige AB's undertakings concerning electricity procurement. Nobina AB's restricted bank accounts pertain to deposits for leases and traffic start for Nobina Danmark AS.

NOTE 20 Statement of changes in shareholders' equity

SHARE CAPITAL

Pursuant to the Articles of Association, the share capital of Nobina AB shall amount to not less than SEK 216,000,000 and not more than SEK 864,000,000. In accordance with the Articles of Association, there shall be not less than 24,000,000 shares and not more than 96,000,000 shares. The company's shares comprise common shares, which have an entitlement of one vote per share. On 16 December 2009, the Board resolved to implement a reversed split of 9 for 1 (record date 1 March 2010), meaning that nine shares are combined to form one.

Reconciliation of number of shares 29 Feb. 2012	Common shares
Opening balance	24,928,139
Subscription for new shares	-
Redemption of shares	-
Closing balance	**24,928,139**

Reconciliation of number of shares 28 Feb. 2011	Common shares
Opening balance	24,928,139
Subscription for new shares	-
Redemption of shares	-
Closing balance	**24,928,139**

Other capital contributed

Reserves recognized in the Group comprise externally contributed capital, which is measured at par value.

Translation differences

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

Profit/loss brought forward

Profit/loss brought forward, including profit/loss for the year, includes profits earned in the Parent Company and its subsidiaries.

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 recognized in the Parent Company as a reduction of non-restricted shareholders' equity until the date on which a payment is made to shareholders.

CAPITAL MANAGEMENT

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

NOTE 21 Earnings per share

	Group	
	1 March 2011 –29 Feb. 2012	1 March 2010 –28 Feb. 2011
Average number of common shares during the period (000s)	24,928	24,928
Recognized profit/loss (SEK M)	–230	59
Adjusted earnings (SEK M)	–230	59
Earnings loss per share (SEK)	**–9.23**	**2.37**

Earnings per share are calculated by dividing profit for the year by the average number of common shares. On 16 December 2009, the Board resolved to implement a reversed split of 9 for 1 (record date 1 March 2010), meaning that nine shares were combined to form one share.

NOTE 22 Provisions for pensions and similar commitments

	Group		Parent Company	
Commitments and pension expenses	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Present value of pension commitments	187	197	3	2
Fair value of plan assets	–157	–168	-	-
Pension commitments after deductions for plan assets	30	29	-	-
Capitalized actuarial profits (+)/losses (–)	–17	–13	–1	–1
Net provisions (+)/ assets (–) for pension commitments	13	16	2	1
Of which recognized as provisions	27	16	2	1
Of which recognized as assets	14	0	-	-

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

	Group	
SEK M	29 Feb. 2012	28 Feb. 2011
Cost pertaining to services rendered during the current period	1	2
Interest expense	7	8
Expected return on plan assets	–7	–8
Actuarial loss (gain), net	4	–8
Cost pertaining to services rendered during previous periods	-	–1
Social security contributions	-	1
Pension expenses, net	**5**	**–6**

Significant actuarial assumptions

The actuarial calculation of pension commitments and pension expenses is based on the following significant assumptions, given as total means for the various pension plans.

The discount pace is based on the estimated discount pace on the yield produced by domestic government bonds.

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

The expected average remaining term of service is estimated based on the employees' current age distribution and the expected employee turnover pace.

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

The Nobina Group's pension expenses amounted to SEK 194 million (173), of which SEK 5 million (–6) pertains to defined-benefit plans.

The key actuarial assumptions used in calculation of the pension liability were as follows:

	29 Feb. 2012	28 Feb. 2011
Discount pace	3.4%	3.3%
Expected return on plan assets	4.6%	2.2%
Expected pace of salary increases	4.7%	2.5%
Future pace of pension increases	2.3%	1.9%

Present value of pension commitments:

	Group	
SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	197	222
Reclassifications from previous years	-	4
Benefits earned during the year	1	-
Interest expenses	7	8
Benefits paid	–23	–23
Deductions from pension obligations due to changes in pension terms	-	–8
Actuarial gains (+)/losses (–)	-	2
Exchange-pace differences	5	–8
Total at year-end	**187**	**197**

Fair value of plan assets:

	Group	
SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	168	175
Expected return on plan assets	7	8
Funds contributed by employer	1	15
Funds paid	–19	–19
Actuarial gains (+)/losses (–)	–6	–2
Exchange-pace differences	6	–9
Total at year-end	**157**	**168**
Return on plan assets		
Expected return on plan assets	7	8
Actuarial profit (+)/loss (–)	4	–2
Actual return on plan assets	**11**	**6**

Net assets/provisions for pension commitments

	Group	
SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	29	51
Benefits paid	–23	–23
Funds contributed by employer	–1	–15
Funds paid	19	19
Deductions from pension obligations due to changes in pension terms	-	–8
Actuarial loss/profit (net)	6	4
Exchange-pace differences	-	1
Closing balance, net assets (–)/provisions (+) for pension commitments	**30**	**29**

Actuarial gains/losses

	Group	
SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance actuarial gains(+)/losses (–)	–13	–3
Reclassifications from previous years	2	-
Actuarial profits (+)/losses (–), pension commitments	-	–3
Actuarial profits (+)/losses (–), plan assets	–6	–2
Deductions from pension obligations due to changes in pension terms	-	–5
Closing balance actuarial profits (+)/losses (–)	**–17**	**–13**

cont. **NOTE 22**

ALLOCATION OF PLAN ASSETS

Actual market value of plan assets on the balance-sheet date:

	Group			
SEK M	29 Feb. 2012	%	28 Feb. 2011	%
Interest-bearing securities, cash and cash equivalents	95	60	104	62
Shares and other investments	62	40	64	38
Total	**157**	**100**	**168**	**100**

	Group	
Allocation of plan assets per segment, SEK M	29 Feb. 2012	28 Feb. 2011
Nobina Sweden	25	33
Nobina Denmark	-	-
Nobina Norway	132	135
Nobina Finland	-	-
Total Regional traffic	**157**	**168**
Swebus	-	-
Total Interregional traffic	**-**	**-**
Central functions	-	-
Total plan assets	**157**	**168**

Future payments

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

	Group				
Future payments, SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Expected paid benefits	22	18	16	13	13

NOTE 23 Other provisions

	Group	
Other provisions, SEK M	29 Feb. 2012	28 Feb. 2011
Provision for onerous contracts	29	41
Provision for damage to vehicles and third-parties	22	31
Provision for environmental commitments	10	9
Provision for close-down expenses	-	-
Total	**61**	**81**

	Group	
Provision for onerous contracts, SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	41	34
Reversals for the year	–12	-
Provisions for the year	-	7
Closing balance	**29**	**41**

	Group	
Provision for damage to vehicles and third parties, SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	31	30
Reversals for the year	–9	-
Provisions for the year	-	2
Exchange-pace difference	-	–1
Closing balance	**22**	**31**

	Group	
Provision for environmental commitments for leased land and facilities, SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	9	9
Reversals for the year	-	-
Provisions for the year	1	-
Closing balance	**10**	**9**

	Group	
Provision for close-down expenses, SEK M	29 Feb. 2012	28 Feb. 2011
Opening balance	-	15
Provision utilized	-	–15
Provisions for the year	-	-
Closing balance	**-**	**-**

NOTE 24 Borrowing – bond loans and other liabilities

	29 Feb. 2012	29 Feb. 2012	29 Feb. 2012	28 Feb. 2011	28 Feb. 2011	28 Feb. 2011
	Bond loans	Financial lease liability	Factoring	Bond loans	Financial lease liability	Factoring
2011/12	-	-	-	85	438	-
2012/13	743	645	36	741	503	-
2013/14	-	563	-	-	438	-
2014/15	-	461	-	-	351	-
2015/16	-	482	-	-	-	-
Later	-	996	-	-	1,003	-
	743	**3,147**	**36**	**826**	**2,733**	**0**
Period allocation of financial expenses	–4	-	-	–13	-	-
Total liability	**739**	**3,147**	**36**	**813**	**2,733**	**0**
Of which short-term portion	739	645	36	85	438	-
Of which long-term portion	-	2,502	-	728	2,295	-

cont. **NOTE 24**

Interest pace and currency composition of borrowings

Loan currency	Nominal amount	Amount in SEK M	Interest, weighted *
Corporate bonds, EUR	85	743	13.6
Financial lease liabilities, SEK	2,158	2,158	5.3
Financial lease liabilities, EUR	31	277	3.4
Financial lease liabilities, NOK	525	620	4.9
Financial lease liabilities, DKK	78	92	3.6
Total loan liability		**3,890**	**6.9**

* Average market interest pace.

Non-current liabilities include corporate bonds originally issued by Nobina Europe AB in an amount of EUR 121.5 million. The corporate bonds bear interest at a fixed pace of 9.125% that is paid semi-annually (on 1 February and 1 August) and fall due for payment in their entirety in August 2012. Nobina Europe has the possibility of repaying the bond loan before this date without supplemental expense. Nobina Europe AB has repaid SEK 110 million (115) of the bond loan. Outstanding corporate bonds amount to EUR 85 million at 29 February 2012. In connection with the issuance of corporate bonds, Nobina Europe AB and its subsidiaries undertook to fulfill a number of financial covenants, which entail that Nobina Europe AB and its subsidiaries have limited opportunities to raise additional loans, enter into financial lease or sale and leaseback contracts, carry out certain types of investments and divest assets. Furthermore, these covenants create certain restrictions on payment of dividends by Nobina Europe AB and its subsidiaries. Refer also to Note 28 regarding the company's financing. All of these covenants were fulfilled at 29 February 2012 and during the fiscal year. When the bond loan was issued, the issue price was discounted by 7.5%, which is why the original bond liability of EUR 121.5 million contributed EUR 112.4 million in borrowed capital to the company. The issue discount of EUR 9.1 million was allocated over the term of the loan. The non-allocated amount will be recognized as income in the event that the bond loan is redeemed prematurely. Costs associated with the raising of loan are expensed over the term of a loan, unless the loan is redeemed prematurely, in which case the capitalized cost is expensed in its entirety.

NOTE 25 Other current liabilities

	Group		Parent Company	
SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Employee withholding taxes	59	55	1	1
Other current liabilities	86	79	-	-
Total	**145**	**134**	**1**	**1**

NOTE 26 Accrued expenses and deferred income

	Group		Parent Company	
SEK M	29 Feb. 2012	28 Feb. 2011	29 Feb. 2012	28 Feb. 2011
Deferred income	146	231	-	-
Accrued salaries	282	277	7	5
Other accrued personnel costs	145	153	6	4
Accrued interest expense	6	6	-	-
Other accrued expenses	154	162	5	2
Total	**733**	**829**	**18**	**11**

NOTE 27 Pledged assets and contingent liabilities

SEK M	Group 29 Feb. 2012	Group 28 Feb. 2011	Parent Company 29 Feb. 2012	Parent Company 28 Feb. 2011
Pledged assets for bond loans				
Pledged assets pertaining to shares/net assets in subsidiaries	728	939	-	-
Other pledged assets	427	413	-	-
Chattel mortgage	316	316	-	-
Other pledged assets				
Other pledged assets	-	-	106	70
Contingent liabilities				
Guarantee for leasing commitments	-	-	3,821	3,945

In addition to pledged leasing guarantees, Nobina AB has also pledged a Parent Company guarantee for the purchase of diesel for Nobina Norge AS through UnoX, NOK 10 million, and for the fulfillment guarantees of NOK 80 million issued by Atradius for Norwegian public transport authorities.

As collateral for the corporate bonds of EUR 85 million, Nobina Europe AB has pledged the shares in the operating subsidiaries, foreign subsidiaries and the buses owned by Nobina Busco AB and Nobina Norge AS, and Nobina Norge's operating receivables and equipment. Furthermore, the subsidiaries have granted chattel mortgages in an amount of SEK 316 million as collateral, and have furnished guarantees for the Parent Company's obligations under the corporate bonds.

The following shares in subsidiaries had been furnished as security at 29 Feb. 2012:
- Nobina Europe AB
- Nobina Finland Oy Ab
- Nobina Norge AS
- Nobina Flexresor AB
- Nobina Sverige AB
- Nobina Busco AB
- Swebus Express AB
- Nobina Danmark AS

The following assets were pledged at 29 February 2012:
- Nobina Finland Oy Ab has pledged floating charges in an amount of EUR 5,230,648;
- Nobina Sverige AB has pledged floating charges in an amount of SEK 115,000,000;
- Nobina Busco's Finland branch has pledged floating charges in an amount of EUR 17,561,687;
- Nobina Busco AB has pledged its buses in a total amount of SEK 107,789,000, of which EUR 1,379,580 pertains to buses in the Nobina Busco branch in Finland.
- Nobina Norge AS has pledged its assets in a total amount of SEK 166,617,720.

In connection with issuance of the corporate bonds, the following shares in subsidiaries were pledged:

	Group 29 Feb. 2012	Group 28 Feb. 2011	Parent Company 29 Feb. 2012	Parent Company 28 Feb. 2011
Shares in Nobina Sverige AB	432	584	-	-
Shares in Swebus Express AB	8	8	-	-
Shares in Nobina Finland Oy Ab	29	32	-	-
Shares in Nobina Busco AB	8	28	-	-
Shares in Nobina Norge AS	95	247	-	-
Shares in Nobina Danmark AS	9	9	-	-
Shares in Nobina Flexresor AB	1	1	-	-
Shares in Nobina Europe AB	146	30	-	-
Total	**728**	**939**	**-**	**-**

NOTE 28 Financial risks and risk management

All risk management is handled centrally in accordance with a finance policy established by the Board of Directors. The Nobina Group uses derivative instruments as part of its financial risk management to limit currency, interest-rate and diesel-price exposure. At 29 February 2012, the company had outstanding derivative instruments through Nordpool. At 28 February 2011, the company had outstanding derivative instruments in the form of price caps for diesel and electricity derivatives through Nordpool. During the year, the company had outstanding derivative instruments in the form of price caps for diesel and electricity derivatives, but no interest-rate or currency derivatives.

The Nobina Group is mainly exposed to the following financial risks:
- Liquidity risk
- Refinancing risk
- Currency risk
- Indexation
- Interest-rate risk
- Credit and counterparty risk
- Raw material risk

LIQUIDITY RISK
Liquidity risk refers to the risk that cash and cash equivalents are not available and that financing cannot be obtained when needed. The Group has available frameworks for accounts receivable financing of SEK 300 million.

HEDGING POLICY
The company's hedging policy is designed to ensure predictability and reduce volatility in liquidity and operating expenses in a cost-efficient manner. The hedging policy states that the company may enter into hedge contracts for fuel, currency and interest-rate exposure.

INTEREST-RATE RISK
Interest-rate risk refers to the risk that movements in market interest rates will negatively affect the Group's net interest income. The rate at which interest rate fluctuations affect net interest income depends on the fixed interest period of the loans. The Group is primarily exposed to interest-rate risk through the company's financial and operating leases since the leasing fees are based on a variable market rate of interest. An increase in the variable interest rate by 1 percentage point would increase the Group's interest expense by approximately SEK 37 million before the effect of compensation through revenue indexation in the transport contracts. Interest-rate risk is partially compensated by the inflation component of revenue indexation in the traffic contracts, and there is also an interest component in the index basket of some traffic contracts. The Group's bond loan runs with fixed coupon interest and thereby entails no interest-rate risk.

cont. **NOTE 28**

Refinancing risk

The Group will be exposed to refinancing risk when an existing bond loan of EUR 85 million matures on 1 August 2012. The refinancing risk is counteracted by the fact that bond-holders for the most part are also shareholders, which explains the strong incentive to find a solution. A refinancing process has been ongoing for some time.

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 customer base with high credit ratings, primarily comprising municipal and county council-owned public transport authorities. Provisions have been made for accounts receivable deemed to be doubtful, and have affected operating profit/loss.

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).

Transaction exposure – the Nobina Group is exposed to exchange-rate movements on its bond loan, which was raised in an amount of EUR 85 million. A weakening of the SEK by 10% against EUR would increase the Group's interest expense by slightly more than SEK 8 million per year and affect profit through an increase of SEK 85 million in the face value in SEK, which is recognized as an unrealized foreign-exchange loss until actual repayment of the bond loan takes place. The Group's finance policy states that currency exposures can be hedged.

The Group is also exposed to exchange-rate movements 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. Refer also to the section under "Raw material risk."

Translation exposure – Nobina AB's and Nobina Europe AB's currency exposure on translation of foreign subsidiaries is normally not hedged.

RAW MATERIAL RISK

The Group is exposed to movements in prices of raw materials through its purchases of diesel. The raw material price accounts for barely half of the total diesel price and the remainder pertains to taxes, transports and refinement. Through revenue indices in its contracts with public transport authorities in regional traffic, the Group is partly compensated for fluctuations in diesel prices. According to internal calculations, this index compensation reduces exposure to diesel price fluctuations by 78%. The decrease compared with the preceding year is dependent on a number of contracts in Sweden that have temporarily been without indexation. This was offset by hedging the entire diesel consumption with diesel derivates, as well as the otherwise non-indexed portion of the diesel costs. The company had no outstanding diesel derivatives at 29 February 2012.

INDEXATION

Since the contractually bound agreements comprise cost compensation through agreed indexes (including inflation) that do not really follow cost trends in the industry, full compensation for cost increases is not paid, since the industry's costs are rising faster than the remuneration paid by transport authorities on the basis of indexation.

NOTE 29 Financial instruments

Group Financial assets, SEK M	Carrying amount 29 Feb. 2012	 28 Feb. 2011
Loans and accounts receivable		
Non-current receivables	1	1
Accounts receivable	476	441
Other receivables	61	62
Restricted cash and cash equivalents	*153*	*110*
Cash and cash equivalents	*107*	*225*
Financial assets measured at fair value through profit and loss		
Diesel derivatives, other receivables*)	-	4
Group total	**798**	**843**

*) Fair value is determined in accordance with prices listed on an active market, corresponding to the so-called level one in IFRS 7.

Parent Company Financial assets, SEK M	Carrying amount 29 Feb. 2012	 28 Feb. 2011
Loans and accounts receivable		
Receivables from Group companies, interest-bearing	485	481
Other receivables	6	10
Restricted cash and cash equivalents	*56*	*30*
Cash and cash equivalents	*65*	*9*
Financial assets measured at fair value through profit and loss		
Diesel derivatives, other receivables*)	-	4
Group total	**612**	**534**

*) Fair value is determined in accordance with prices listed on an active market, corresponding to the so-called level one in IFRS 7.

Group Financial liabilities, SEK M	Carrying amount 29 Feb. 2012	 28 Feb. 2011
Other financial liabilities		
Interest-bearing liabilities, loans	3,949	3,562
Accounts payable	425	389
Other liabilities	145	134
Financial liabilities measured at fair value through profit and loss	-	-
Group total	**4,519**	**4,085**

Parent Company Finansiella skulder, SEK M	Carrying amount 29 Feb. 2012	 28 Feb. 2011
Other financial liabilities		
Liabilities Group companies, interest-bearing	86	38
Accounts payable	22	9
Other liabilities	1	1
Financial liabilities measured at fair value through profit and loss	-	-
Group total	**109**	**48**

FAIR VALUE

The carrying amounts of financial assets and liabilities essentially correspond to their fair values; apart from the bond loan; see below.

Fair value is determined on the basis of official market quotes on the balance-sheet date. If none such exist, fair value is determined through discounting of future cash flow to the listed market interest rate for the respective maturities or through some other method deemed to provide the best estimation of fair value in each individual case.

Translation to SEK occurs at the exchange rate prevailing on the balance sheet date. In summer 2009, the subsidiary Nobina Europe AB issued a bond loan in a nominal amount of EUR 121 million. The dividend warrant on the bond capital is 9.125% per year. Since the time of issuance, some trading of the bonds has taken place in London. The traded fair value of the bonds indicates a value at less than the nominal amount, due to the proximity of the bond's maturity on 1 August 2012, and refinancing has not yet been completed. Interest on the financial leasing liability is calculated on variable interest rates with an unchanged credit margin, which means that the recognized value of the liability agrees with the fair value.

NOTE 30 Related party transactions

Funds managed by Bluebay Asset Management, Fidelity Funds, Avenue Capital, Thames River Capital and Dynamic Credits Opportunity Fund, all participated in the Exchange Offer in the 2009/2010 fiscal year, and used old bonds issued by Nobina Europe AB in an amount of EUR 112.5 million in exchange for new bonds at a subscription rate of 92.5%, which resulted in a new nominal amount for the loan of EUR 121.5 million. They also received the offered subscription premium of 1%.

In connection with the bond refinancing, Nobina AB implemented a new share issue comprising 202,276,500 shares at a price of SEK 4, which contributed SEK 809 million in new capital to the company. At the same time, preference shares in Nobina AB were redeemed for SEK 639 million, including the accrued dividend SEK 129 million.

In connection with the new share issue and redemption of preference shares, funds managed by Bluebay Asset Management increased their holding of common shares by exercising their preferential rights to participate in the share issue and to use the proceeds from the preference shares as payment for new common shares. Other major shareholders who participated in the share issue were FidelityFunds, Thames River Capital, Avenue Capital, JP Morgan Securities and Dresdener VPV.

One member of Nobina AB's Board of Directors is appointed by Blue Bay Asset Management. This member has not received any director fees in the capacity of a Member of the Board. 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 the basis of cost price plus profit supplement, with a 3–5% margin.

	Group		Parent Company	
Related party transactions	**29 Feb. 2012**	**28 Feb. 2011**	**29 Feb. 2012**	**28 Feb. 2011**
Sales of services to intra-Group companies	-	-	151	133
Purchase of services from intra-Group companies	-	-	–6	–30
Personnel costs				
Board of Directors	–1	–1	–1	–1
Senior executives	–25	–27	–11	–12
Pension expenses	–5	–5	–2	–3
Social security contributions	–7	–7	–4	–4
Total personnel costs	**–38**	**–40**	**–18**	**–20**
Profit from participations in intra-Group company	-	-	21	24
Interest income from intra-Group company	-	-	44	44
Interest expenses to bond-holders	–107	–124	-	-

	Group		Parent Company	
Related party transactions	**29 Feb. 2012**	**28 Feb. 2011**	**29 Feb. 2012**	**28 Feb. 2011**
Receivables from intra-Group companies	-	-	485	481
Liabilities to intra-Group companies	-	-	–86	–38
Pension provision CEO	–2	–2	–2	–2
Bond loans	–743	–826	-	-

NOTE 31 Exchange rates

Exchange rates	Average 1 March 2011 –29 Feb. 2012	Average 1 March 2010 –28 Feb. 2011	Closing day 29 Feb. 2012	Closing day 28 Feb. 2011
EUR	9.028	9.347	8.830	8.818
NOK	1.163	1.175	1.181	1.136
DKK	1.212	1.255	1.188	1.183

NOTE 32 Events after the balance-sheet date

During the spring, two leading credit institutes chose to lower Nobina's credit rating in anticipation of the refinancing in progress, which is expected to be completed not later than 1 August 2012 in conjunction with the maturity of the existing bond loan.

Stockholm 26 April 2012

The Board of Directors and the President 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 15 May 2012 will resolve on the adoption of the Parent Company's and the Group's income statements and balance sheets.

Jan Sjöqvist
The Board Chairman

Gunnar Reitan
Director

Rolf Lydahl
Director

Richard Cazenove
Director

Birgitta Kantola
Director

Ragnar Norbäck
President

Our auditors' report was issued on 4 May 2012 and deviates from the standard presentation format

Ernst & Young AB

Erik Åström
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Nobina AB for the year 2011-03-01–2012-02-29. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 54–91.

Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation, of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 29 February 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 29 February 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Nobina AB for the year 2011-03-01–2012-02-29.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examine whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive Officer is liable to the company. We also examined whether any member of the Board of Directors or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual 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 Chief Executive Officer be discharged from liability for the financial year.

Observation

On several occasions VAT, withholding tax deductions and social contributions have not been paid when due.

Stockholm May 4, 2012

Ernst & Young AB

Erik Åström
Authorized Public Accountant

Glossary

AIRPORT TRANSFER Trips that enable connections to and from airports.

BID A traffic company's offer in a tendering process.

CHANGE PRICES How much compensation changes per bus hour or kilometers within the framework of the free volume in a contract.

CITY TRANSPORT Transport in a built-up 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 contracts are tendered in accordance with the Swedish Public tendering Act.

CONCESSION CONTRACT A form of contract between a traffic company and a client (municipality/County council) that was usual 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.

CUSTOMERS Passengers that use Nobina's services regardless of whether they pay for the trip themselves or via a public transport authority.

EURO 1–EURO 5, 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 right to change the production volume within the framework of the contract.

GROSS CONTRACT A contract in which the traffic company's revenues comprise fixed remuneration for production costs based on a predetermined production, with route network, timetable and a number of other requirements as the base. Compensation is based on the number of hours, kilometers, buses or a combination of these.

INCENTIVE CONTRACT Normally a gross cost contract contains to a larger or smaller degree a compensation component that is variable and depends on the number of passengers.

INDEXATION Adjustment of the contract-based remuneration in accordance with a basket of weighted and predetermined indexes intended to represent important cost elements for the traffic companies, such as salaries, fuel and maintenance, and which occurs at predetermined intervals.

INTERREGIONAL TRAFFIC Nobina's definition of traffic conducted completely on the initiative of a traffic company without restrictions or subsidies from authorities.

NET CONTRACT A contract in which the client compensates the traffic company on the basis of ticket revenues and subsidies from a given production volume determined in advance. Compensation to the traffic company is thus based on demand, while the client controls the offering.

PUBLIC TRANSPORT Transport services provided for the public in which people travel together.

PUBLIC TRANSPORT AUTHORITY (PTA)
A municipality or county council allocated concessions by the government to provide public transport through public tendering of services from traffic companies.

PUBLIC TRANSPORT AUTHORITY REFORM
In conjunction with the public transport authority reform in the 1980s, the government took over the right to allocate concessions from the municipalities and county councils. Previously, municipalities and county councils allocated concessions to traffic companies; today, the state allocates concessions to municipalities and county councils (clients), which in turn sign contracts with traffic companies for the provision of public transport services. These contracts are tendered in accordance with the Public tendering Act.

REGIONAL TRAFFIC Nobina's name for traffic tendered from a public client.

REGIONAL TRANSPORT Transport outside and between built-up areas in a county.

SEAT-KILOMETERS Measure of the service provided. The number of seats in a bus multiplied by the bus's driving distance in kilometers.

SUBCONTRACTOR A player assigned by the traffic company to assist in the provision of transport services.

TRAFFIC ASSIGNMENT A contract between a traffic company and a client for the provision of transport services within the framework of a publicly tendered traffic contract, in which compensation is based on gross, incentive and net agreements.

TRAFFIC COMPANY A company that provides traffic in accordance with a given contract through a contract with a client.

TRAFFIC CONTRACT A publicly tendered contract for the provision of transport services between a traffic company and a client. The contract normally applies for five to eight years and is based on gross, incentive and net agreements.

TRAFFIC PLANNING Planning of use of resources (vehicle and driver) to conduct transport services in the most efficient manner possible in accordance with the traffic assignment.

Definitions

AVERAGE NUMBER OF EMPLOYEES
The number of hours paid divided by normal working hours for a fulltime employee.

DEGREE OF UTILIZATION
Number of sold passenger kilometers divided by driven kilometers.

EARNINGS PER SHARE
Profit for the year adjusted for dividends on preference shares divided by the average weighted number of common shares.

EARNINGS PER SHARE, FULLY DILUTED
Profit for the year adjusted for dividends on preference shares and potential ordinary shares divided by the average weighted number of common shares.

EBIT
Operating profit before net financial and taxes.

EBT
Income before tax.

EBITDA
Operating profit before depreciation and amortization.

EBITDAR
Operating profit before net financial items, tax, depreciation and amortization, earnings from sale of fixed assets and operating leasing expenses for buses.

EQUITY/ASSETS RATIO
Shareholders' equity as a percentage of total assets at the end of the fiscal year.

NET INVESTMENTS
Acquisition cost of investments in fixed assets less sales value of divested fixed assets.

YIELD
Revenue per driven kilometer.

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SE-171 71 SOLNA

Nobina Europe AB
Armégatan 38
SE-171 71 SOLNA

Nobina Sverige AB
Armégatan 38
SE-171 71 SOLNA

Nobina Danmark A/S
Malervangen 9
DK-2600 GLOSTRUP

Nobina Norge AS
Schweigaardsgate 14
N-0185 OSLO

Nobina Finland Oy Ab
Klovinpellontie 5
FIN-02180 ESPOO

Swebus Express AB
Armégatan 38
SE-171 71 SOLNA

Nobina Fleet AB
Armégatan 38
SE-171 71 SOLNA

Annual General Meeting of Nobina AB

THE SHAREHOLDERS OF NOBINA AB ARE HEREBY INVITED TO THE ANNUAL GENERAL MEETING ON 15 MAY 2012, AT 4:30 P.M. AT THE COMPANY'S PREMISES, ARMÉGATAN 38, SOLNA, SWEDEN.

Entitlement to participate in the Annual General Meeting
Shareholders who wish to participate in the Annual General Meeting must be registered in the shareholders' register maintained by Euroclear Sweden AB on 9 April 2012.

The shareholders are also asked to notify Nobina of their attention to attend
by post to Nobina AB, Armégatan 38, SE-171 71 Solna, Sweden, fax to +46 (0)8 546 300 55 or email to martin.pagrotsky@nobina.com, no later than 9 April 2012 before 4.00 p.m.

When registering, please notify the shareholder's name, address, telephone number (daytime), personal ID or corporate registration number, number of shares held and any attending advisors or representatives.

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