

*ANNUAL REPORT 2012/2013*



*EVERYONE WANTS TO TRAVEL WITH US*

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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.

NOBINA'S BUSINESS CONCEPT IS TO  
***SIMPLIFY EVERYDAY TRAVEL***

AND THE VISION IS CLEAR  
***EVERYONE WANTS TO TRAVEL WITH US***

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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 defined requirements on our managers and employees. We place the customer's and company's interests ahead of our own. We promote seamless cooperation. 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.

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NOBINA IS A COMPANY GOVERNED  
BY VALUES.

FOR US, SUSTAINABILITY IS THE  
*GREEN GUIDING LIGHT* FOR ALL  
THAT WE DO.

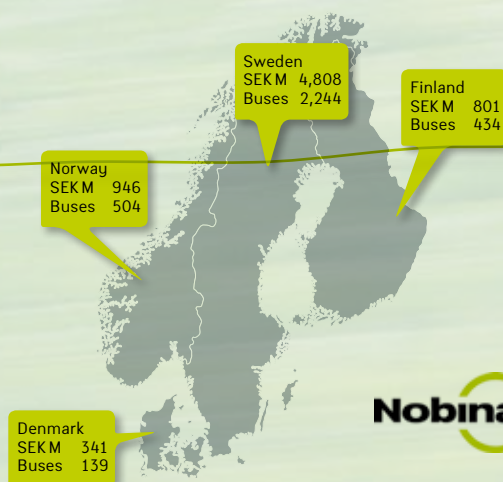
WE DELIVER SUSTAINABLE TRAVEL  
SOLUTIONS VIA SUSTAINABLE  
CONTRACTS AND SUSTAINABLE  
RELATIONSHIPS.

THIS RESULTS IN  
*SUSTAINABLE PROFITABILITY.*

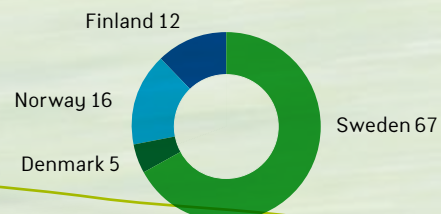
NOBINA IS ONE OF THE LARGEST PUBLIC TRANSPORT COMPANIES IN EUROPE, WITH APPROXIMATELY 280 MILLION COMPLETED CUSTOMER TRIPS PER YEAR AND A BUS FLEET OF AROUND 3,500 BUSES. NOBINA HAS A MARKET-LEADING POSITION IN THE NORDIC REGION, WHICH GIVES THE COMPANY SIGNIFICANT ADVANTAGES WHEN IT COMES TO TENDERING PROCESSES, CONTRACT MANAGEMENT, VEHICLE OPERATION AND TRAFFIC PLANNING. OUR SUCCESS MAKES SOCIETY MORE MOBILE.



### THE NORDIC REGION'S BUS MARKETS



### EMPLOYEES IN DIFFERENT COUNTRIES, %



### SWEDEN'S INTERREGIONAL TRAFFIC

Swebus  
sales SEK 355 million  
65 buses



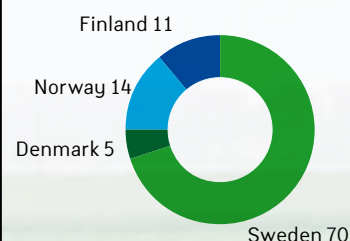
## THE YEAR IN BRIEF

Nobina achieved its highest operating profit to date and improved its cash flow during the 2012/2013 financial year. At the same time, our contract portfolio and bus fleet is younger than it has ever been. We won several new contracts during the year, totalling 190 buses in several cities. In total, 1,900 buses were tendered on the market and Nobina submitted tenders for 670 of these. Furthermore, for existing contracts, we started up traffic with 335 buses and discontinued traffic with 367 buses. During the 2012/2013 financial year, we had a total of 3,455 buses operating in traffic.

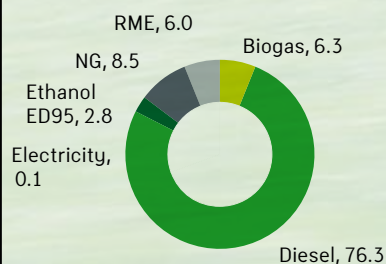
SEK M, unless otherwise stated	SALES		OPERATING PROFIT/LOSS	
	2012/2013	2011/2012	2012/2013	2011/2012
<i>Regional traffic</i>				
Sweden	4,808	4,905	303	295
Denmark	341	325	-26	-33
Norway	946	718	-25	-128
Finland	801	775	32	12
<i>Interregional traffic</i>				
Swebus	355	370	5	-4
<b>Total</b>	<b>7,212</b>	<b>7,050</b>	<b>245</b>	<b>37</b>

SEK M, unless otherwise stated	08/09	09/10	10/11	11/12	12/13
Sales	6,134	6,308	6,697	7,050	7,212
Operating profit/loss	206	192	232	37	245
Profit/Loss after net financial income/expense	-233	121	59	-230	-10
Profit/Loss after tax	-239	121	59	-230	59
Cash flow	-59	-67	-91	-120	33
Cash and cash equivalents incl. restricted funds	558	472	335	260	312
Of which restricted funds	141	141	110	153	175
Equity/assets ratio, %	Neg	2.8	3.4	Neg	3.2
Shareholders' equity	-117	137	178	-43	194
Number of buses	3,505	3,553	3,618	3,437	3,455
Average number of employees	7,606	7,318	7,714	7,008	7,868
Sales/bus	1.75	1.78	1.85	2.05	2.09

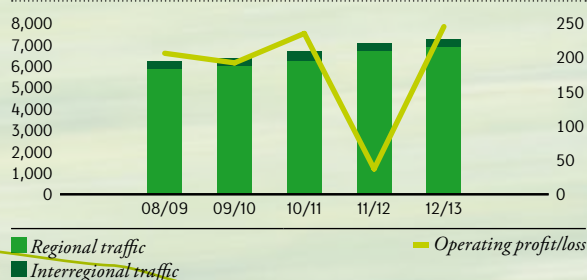
### SALES PER SUBSIDIARY, %



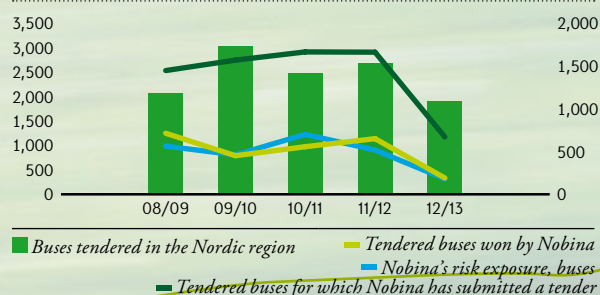
### NOBINA'S BUS FLEET BY TYPE OF FUEL, %



### SALES BY BUSINESS AREA AND OPERATING PROFIT, SEK M



### HISTORICAL TENDERING PROCESS OVERVIEW





## A RESILIENT BUSINESS MODEL

Investors should know that we have stable operations in a growth market. In our sector, we stand out from the rest for our good profitability, which we have achieved through our portfolio and contract strategies, as well as our operational excellence, where creating value for customers is both the point of departure and goal. We also have the business acumen for recognizing and acting on new opportunities in the value chain.

**T**he last year has, in important aspects, been a successful one for Nobina. We have strengthened our market-leading position in the Nordic region. The trading conditions for public transport are also improving, which is something that we have actively helped bring about. Tendering processes have also been dominated by incentive contracts, which provides us with a clearer role when it comes to developing travel.

Our capital structure is now more robust after having refinanced our bond loans. For example, we have eliminated currency risk and accordingly, this has improved our earnings stability. We also increased sales through growth in our existing contracts and we improved our operating profit (EBIT) to SEK 245 (37) million – which is our best operating profit to date. Additionally, we renewed our contract portfolio such that it, and our bus fleet, are younger than

## STATEMENT FROM THE CEO

they've ever been. We even improved cash flow. We also strengthened our most important financial ratio: profit after finance costs for buses. This is the level of earnings we use for monitoring our profitability, given our current ownership and capital structure. This is also the point of departure for our goal of doubling profitability over a period of three years. On the bottom line, profit after tax (which includes interest expense on our bond loans) we are reporting a breakeven result for the 2012/13 financial year.

When it comes to our financial goals, we aim over the long term to achieve an EBITDA marginal of 15 percent, an EBIT margin of more than seven percent and return on equity of 15 percent. In three years' time, our goal is an EBIT margin that exceeds five percent. This corresponds to a doubling of profit after costs for bus financing. From an ownership perspective, this involves a change in focus from interest to shareholder value.

It's an ambitious set of goals, particularly giving the fact that serious profitability problems plague our industry. However, our achievements thus far demonstrate that it really is possible to provide competitive returns on a par with other industries. How is that possible?

The simple answer is that we have a business model and strategies that are resilient. Our fundamental principle is to only submit tenders for business that we deem profitable. There needs to be a sustainable economy, sustainable customer deliveries and sustainable social impact. All of that is what comprises the concept of sustainable contracts, i.e. contracts where it is possible to deliver in accordance with high environmental and quality requirements and also earn a profit. If we deem that a tendering process will not result in a sustainable contract, we simply don't participate. This is also why we measure our success not only against financial goals, but also customer and employee satisfaction, environmental goals and societal goals. For the first time, we are also reporting our efforts on sustainability issues in accordance with GRI (Global Reporting Initiative).

95 percent of our business is contracted traffic services. For this reason, we are very actively involved in the process of achieving more balanced terms and conditions for publicly tendered transport. For example, there needs to be more options for maximizing value to both society and passengers while making it possible for operators to run long-term, sustainable businesses. As the market leader in the Nordic region, it's our responsibility to push development in that direction.

### VALUE FOR CUSTOMERS COMES FIRST

During the last year, we participated in 37 tendering processes and entered into nine new contracts. We started up traffic in accordance with 12 new contracts, and we terminated 18 contracts, which, overall, went very smoothly. The year was also successful from a quality perspective. We delivered with a high level of quality and very few

interruptions. Our priority is to continue refining our portfolio so that it only contains profitable contracts with satisfied customers. In other words, we will not expand the portfolio at any cost.

The point of departure for sustainable operations is always providing value to customers. For us, this entails providing value to passengers, even though technically, the customer in our publicly tendered contracts is a PTA. For Nobina and PTAS alike, the passenger is the end customer.

For us, this is about having satisfied customers, as well as more customers. We've come to realize that these are two different things

**WE ARE GOVERNED BY VALUES AND EVERYONE IN THE GROUP IS ABLE TO SEE THE BIG PICTURE, I.E. WHY OUR VALUES ARE IMPORTANT AND WHERE VALUE CAN BE CREATED.**

and you need to focus on different issues in order to make progress in both of these areas. Satisfied customers is just one of many prerequisites for attracting new customers. However, the link is not as strong as you might think.

Our efforts to change the terms and conditions of contracts primarily focus on making sure that we, in our role as service provider, have the freedom and flexibility we need in order to satisfy existing customers and attract new ones. We need to listen and respond to passengers and their needs, which requires the flexibility to adjust our offering and products accordingly so that more passengers become satisfied and more will want to travel by bus. It is thus important that the contract is flexible enough to allow this.

From a societal perspective, it's desirable that public transport encourages development of society such that more people travel in this way. This benefits society very much and in many ways. Higher mobility creates dynamics and growth in society, which increases tax revenues, creates jobs and makes housing areas more attractive. It also reduces wear and tear on the infrastructure and environmental impact. Furthermore, people that use public transport can spend their travel time productively. Travel by bus is also the mode of transportation that is safest. This gives passengers peace of mind and also lowers the societal costs of personal injury. When you add it all up, the results are very favourable.

However, the potential value decreases when tendering processes are overly detailed. Bus fleets and traffic programmes become too rigid and it becomes impossible for the service provider to adapt supply to demand. If price is weighted too heavily in the tender, or if all the risks must be carried by the operator, it becomes increasingly likely that services can only be provided at a loss. In a worst-case scenario, this could compromise safety, consideration for the environment and other vital components of the delivery.

We continuously strive to shift the focus to ensuring that public transport offers the greatest possible benefits to society. All of the

## STATEMENT FROM THE CEO

gains and losses to society must be considered and providing value to customers must be both the point of departure and the goal.

### WE HAVE WHAT IT TAKES TO ATTRACT CAPITAL

Long-term contracts are beneficial to both the PTA and the service provider. The average contract term is eight years, with the option to extend for up to six more years, i.e. 14 years in total. The average contract runs with a two-year extension. For a traffic operator, this carries a low risk, provided that the contract terms and conditions are reasonable. However, even in contracts with various types of incentives, there are obviously certain types of risks that must be managed. Nevertheless, in this industry, we enjoy high predictability and low risk, which helps us attract capital.

Public transport is a component of the social infrastructure and

**FOR US, SUSTAINABILITY MEANS A SUSTAINABLE ECONOMY, SUSTAINABLE CUSTOMER DELIVERIES AND SUSTAINABLE SOCIAL IMPACT. ALL OF THAT IS WHAT COMPRISES THE CONCEPT OF SUSTAINABLE CONTRACTS.**

in the Nordic region, politicians are largely in agreement that public transport should grow. The combination of low risk and long-term growth is quite rare. Market growth makes it possible to implement our strategy with its focus on potentially profitable contracts and accordingly, the ability to grow profitably.

Although we work for various types of performance-based remuneration, the majority of our revenues are predictable. Because of that, our primary means for improving profitability is cost-saving measures. Among the major operators in Sweden and Finland, Nobina has best-in-class profitability. The reason has to do with how we submit tenders, continually refine our portfolio and operate traffic with strict quality and cost controls. We systematically strive to have the highest productivity in our sector and constantly develop our effectiveness.

That is possible because we are governed by values and everyone in the Group is able to see the big picture, i.e. why our values are important and where value can be created. One thing that I'm particularly proud of is the momentum we've created throughout the organization by working in-depth with our values and applying them to everyday situations at all levels. I'd like to thank all of our employees for their great contributions during the year. It is you who are Nobina.

In order to ensure full internal transparency and everyone's right and responsibility to report inappropriate behaviour, we have helped set up an additional, external channel, MOM (employee to ombudsman), which employees can use to report such information.

Finally, Nobina is known for its business acumen. As part of the ongoing transformation of our sector, certain opportunities open up, which, if handled properly, offer quite interesting busi-

ness opportunities. With the point of departure of providing value to customers, we can expand the value chain and create more benefits via innovative product development. We have already managed to redefine many of our services as products and with time, our aim is for PTAs to be able to purchase functions like traffic, passenger counting, payment, internet, information, vehicle renovation and other types of modules from our product catalogue. Transforming both the tendering process and how we are organized will take time, but it's the only way forward. And we're ready to lead the market in this direction.

### ONLY A ROSY OUTLOOK

So, does that mean that everything is perfect? Certainly not. We are still delivering on a number of older contracts that are not profitable and will accordingly not be renewed. In fact, three specific contracts will mature over the next couple of years and that alone will improve our EBIT.

We also have a couple of relatively new contracts that are problematic. The Tromsø contract is one such example. It also demonstrates the drawbacks associated with an overly detailed tender. In that case, the PTA had decided to replace 70 short city buses with 70 long ones, without making any adaptations to the infrastructure.

The bus stops were not designed for long buses, the buses can't pass each other, they are unable to climb the steep hills in Tromsø, etc. Without question, this causes problems. So, why did we enter into this contract? With the benefit of hindsight, it looks like a huge mistake. However, our presumption was that the PTA had already considered such fundamental issues before creating the tender specifications. But, that wasn't the case and we will not continue trying to fulfil this contract under those conditions. We had also underestimated the cultural differences.

Even though Sweden is our main market, Nobina is a Nordic company. The business conditions in each country are essentially the same, and continued growth in the Nordic region is a highly prioritized component of our strategy. For this reason, it is particularly satisfying that the Finnish operations have delivered such strong results this year. This proves that we can succeed even beyond the borders of Sweden.

During the year, we also took an important step towards an improved capital structure and public financing by refinancing the Group's bond loans in SEK, which, in addition to other benefits, also eliminates currency risk. The bonds are traded on NASDAQ OMX Stockholm.

In order to fully realize our significant potential, we need a strong financial platform to stand on. We're not there yet, but we're on our way.

Stockholm, April 2013

Ragnar Norbäck  
President and CEO

## COOPERATION FOR MORE CUSTOMERS WHO ARE MORE SATISFIED

“We want to collaborate in a way that encourages more people to choose public transport because they feel an alliance, i.e. that the city buses are “their” buses,” says Christina Pilemarker at Västtrafik.

In conjunction with renewing the agreement on Skövde’s city traffic, Västtrafik and Nobina embarked on more in-depth cooperation. Various incentives were introduced into the new agreement, which caused the parties to set up a cooperation advisory board so that they could work together to develop traffic in accordance with the goal of increasing customer satisfaction and the number of passengers. Skövde Municipality served as a reference group for the project.

The advisory board employed a marketing consultant, who’s point of departure was a plan targeting groups that had potential for travelling more, i.e. youth and professionals who commute. Efforts focused, for example, on tourist high season campaigns, where drivers provided information to passengers and chatted with them. Initiatives were also directed

at the major companies in the region. For example, trial campaigns were introduced for employees at companies where public transport is a viable alternative to commuting by car.

“We’ve noticed an increase in both interest and customer satisfaction. In our most recent onboard survey, it was 88 percent. The more successful we are, the more options we have for doing even more. It’s a long-term effort that is also aligned with the municipality’s goal of doubling public transport,” says Cecilia Johansson, business developer at Nobina who works with marketing issues in Skaraborg.

Christina Pilemarker agrees:

“We’ve established a good cooperation that utilizes our respective skills. It’s good that we have someone dedicated to actively working and guarding Västtrafik’s interests,” she says.

The scope of this project has now also been extended to include other city traffic and the regional routes throughout Skaraborg.



## DRIVING FORCES AND COUNTERFORCES



*BESIDES THE OBVIOUS ENVIRONMENTAL BENEFITS OF MORE PEOPLE TRAVELLING TOGETHER, A WELL-FUNCTIONING PUBLIC TRANSPORT SYSTEM ALSO HELPS MAKE HOUSING AREAS MORE ATTRACTIVE AND COMPANIES/ WORKPLACES MORE ACCESSIBLE. FURTHERMORE, FEWER PARKING SPACES ARE REQUIRED AND IT REDUCES WEAR AND TEAR ON THE INFRASTRUCTURE.*



*MANY TENDERING PROCESSES STILL FOCUS ON PRICE RATHER THAN QUALITY, PRODUCTION RATHER THAN DELIVERY, DETAILS RATHER THAN OVERALL FUNCTIONALITY AND POLITICAL STANDPOINTS RATHER THAN THE BENEFITS TO SOCIETY AND PASSENGERS.*

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# 1

### FAVOURABLE DEVELOPMENT OF PUBLIC TRANSPORT

In our markets, there is stable, long-term growth in the demand for public transport, which is fuelled by a growing demand for mobility in society, ongoing urbanization and the desire of politicians and passengers alike to reduce environmental impact. The

industry has also established the goal of doubling travel by public transport by 2020. The Nordic model for publicly tendered public transport continues to apply in all of the Nordic countries, with continued growth in volume in major regions.

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# 2

### DEREGULATION INCREASES OUR AVAILABLE MARKET

The deregulation initiatives that have been implemented in the Nordic countries are making an increasingly greater impact. With the expiration of old contracts, more and more municipalities and

county councils are deciding to contract out their local and regional traffic. Future tendering processes offer many business opportunities, particularly when the terms and conditions are more flexible.

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# 3

### SUSTAINABILITY AND HOLISTIC APPROACH

More and more people are starting to understand the importance of a sustainable development of society and the role of public transport in attaining that goal. Besides the obvious environmental benefits of more people travelling together, a well-functioning public transport system also helps make housing areas more attractive and companies/work-

places more accessible. Furthermore, fewer parking spaces are required and it reduces wear and tear on the infrastructure. Personal injuries are also reduced. A recent study confirmed that travel by bus is the safest mode of transportation. A sustainable, holistic approach recognizes the benefits our operations can provide.

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# 4

### OPPORTUNITIES IN THE VALUE CHAIN

Nobina's turnaround to profitable operations a few years ago was possible because of a change in how we view our own business. We evolved from delivering bus services to managing and developing a contract portfolio and creating value for passengers. This shift of perspective creates a wider value

chain in which many business opportunities are still waiting to be explored. As the market leader, we have a unique ability to push development towards a more functional market, with higher profitability and greater benefits to society and end-customers alike.

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# 5

### DYSFUNCTIONAL TENDERING MODELS

Although the methods for tendering and contracting public transport services are becoming more flexible, and some parts are being deregulated, many dysfunctional tendering models still exist. Many focus on price rather than quality, production rather than the actual services delivered,

details rather than overall functionality and political standpoints rather than the benefits to society and passengers. There are many obstacles in the way for private companies and public operators that are trying to create a better offering at a lower cost to society.

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# 6

### A SECTOR THAT STRUGGLES WITH PROFITABILITY – LUKEWARM INTEREST FROM FINANCIERS

Nobina has demonstrated its ability to provide public bus services at a profit. However, profitability throughout this sector remains elusive. Publicly owned traffic operators underestimate the risks and have a high tolerance for losses, which causes their

own profitability and that of the entire sector to deteriorate. The low profitability of this sector is a deterrent to new, skilled entrants. It also makes it difficult to attract capital.

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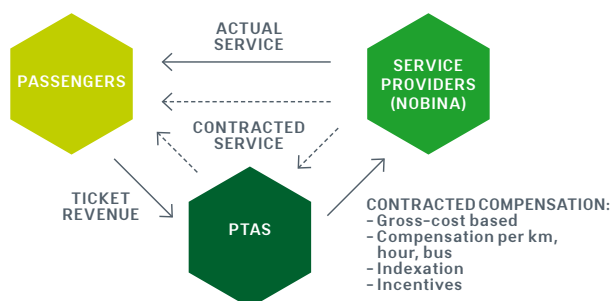
### OUR BUSINESS HAS TO DO WITH CONTRACT IMPROVEMENT

Our successful business is built on delivering high value to the end customer. Our business concept thus focuses on providing value to passengers, who are the end customers of Nobina and PTAS alike. We supply passenger travel services that embody the following product values: *simple, affordable and friendly*. We simplify everyday travel.



Our business is structured as **two business areas, Regional and Interregional traffic**. Based on the same business concept, they are managed with different business models. Regional traffic is managed according to tendered contracts, whereas interregional traffic is managed using a conventional, market-driven business model. The latter is a small component of our business, but it is important because it enables us to develop and improve our services without any restrictions.

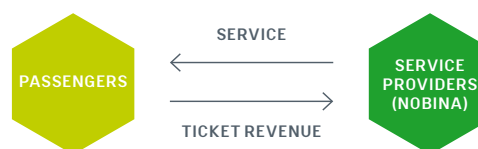
#### BUSINESS MODEL – REGIONAL TRAFFIC



**Most of Nobina's operations are performed in accordance with contracts that are in place. For this reason, we use a contract model as our primary business model.**

This means that the business has a low risk profile. The model is based on stable revenue via long-term, predictable contracts. Nobina and PTAS also share the same understanding of the assignment and the expectation is that efficient operations will be in place to deliver in accordance with the contract. At the same time, economies of scale and other cost advantages should be exploited and passengers should expect good service. Contractual revenue is supplemented by various types of incentives. According to the model, there should be an active effort to balance mature and new contracts in the portfolio in order to ensure both profitability and growth.

#### BUSINESS MODEL – INTERREGIONAL TRAFFIC



# 95%

OF OUR ENTIRE BUSINESS VOLUME IS  
REGULATED BY CONTRACTS

## OVERALL GOALS

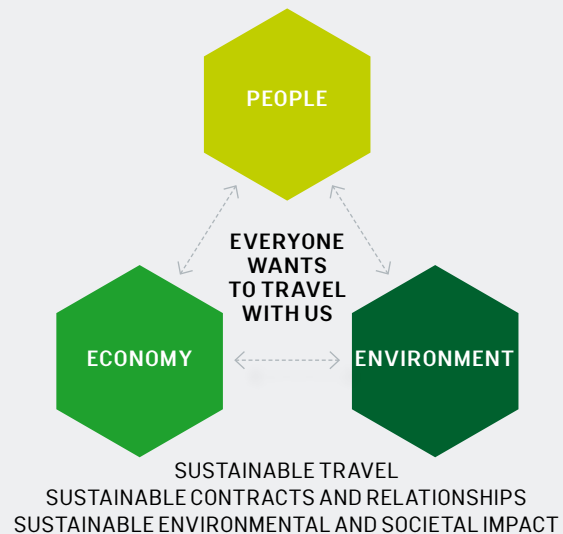
As a value-driven company, our overall goals are based on public transport increasing its share of passenger transport in a sustainable, highly mobile society and developing our business so that everyone is able to and wants to travel with us.

Nobina will develop its market-leading position in a way that benefits all stakeholders; from shareholders to environmental interests. In line with our Green Guiding Light concept, we've broken down our overall goals into measurable, operational performance variables that we use to govern the company in business and action plans that are long, medium and short term.

### GOALS 2015/16

- Annual growth in sales > 3.1%.  
*Sales in 2012/13 increased by 2.2%.*
- Customer satisfaction > 80% (standardized measurement method).  
*Customer satisfaction in 2012/13 was 76%.*
- EBIT margin of 5.9%.  
*EBIT margin in 2012/13 was 3.4%.*
- Net debt/EBITDA 4.7 times.  
*Net debt/EBITDA in 2012/13 was 6.0 times.*
- EMI (motivated employee index) should be > 87% with a response rate of at least 75%.  
*EMI was not measured in 2012/13.*
- We will clearly position ourselves as the driving force for increased mobility in a sustainable society.

### SUSTAINABLE OPERATIONS



*The Green Guiding Light summarizes our values and role in society.*

*It's our primary governance tool. Following its launch, it has been implemented throughout the organization and is currently used for a variety of purposes such as recruitment, introductions and as an assessment instrument. It is discussed during our annual employee performance appraisals and it is included in employee surveys, where employees assess the extent to which our actions correspond with Green Guiding Light concept. Nobina works in a structured way to achieve continual improvements in its business, and thereby achieve the established goals.*

*For example, we have seven primary process teams that are responsible for designing the group-wide working methods. This effort is led by process owners, who have been appointed by the Group management team and are followed up quarterly in Process Performance Reviews. Please read more about our governance on pages 50–51 and in the Corporate Governance Statement on pages 58–62.*

## OVERALL STRATEGIES

Our overall strategies are aimed at achieving profitable growth that provides high value to all of our stakeholders – PTAs, customers and society, owners and employees. Stable and profitable growth is achieved by securing the right contracts, rather than greater market shares, and by optimizing all resources in our daily operations of supplying services. Our values serve as the point of departure for our choices.

### STRATEGIES

### MILESTONES 2012/13

#### WE ARE AVAILABLE FOR OUR CUSTOMERS

Based on customer needs and our product values – simple, affordable and friendly – we're ready to take on a leading role in developing new, customized solutions and offerings that make both regional and interregional travel more attractive.

- We won 9 new contracts.
- We initiated 12 new traffic contracts.
- We cooperated on a new bus concept (BRT) in Malmö.
- New light-weight vehicles were used throughout the Helsinki region.

#### WE PURSUE CONTINUOUS DEVELOPMENT

In addition to continually working with operational excellence on everything from optimization of the bus fleet to staffing and traffic planning, we also take the initiative in designing new types of contracts that result in more value to customers and lower costs to society. We strive to increase the quality of tendering processes. The aim is to increase our share of the value chain by taking greater responsibility for the supply, scheduling and sales in exchange for compensation based on both the traffic services offered and actual travel.

- Improvement efforts in Norway were carried out as planned.
- Swebus entered into a partnership and the action plan produced results.
- We expanded IT support such that it is now even offered on buses.
- We raised the priority of attracting more passengers and improving our ability to do so.

#### WE RESPECT EACH OTHER

Our actions are based on the concept that everyone deserves respect. The results from dialogues and feedback from passengers, PTAs, employees and other stakeholders should influence our behaviour, yet still enable us to adhere to our values and achieve our long-term goals.

- We set up an external employee-ombudsman channel (MOM) that employees can use to report inappropriate behaviour.
- We followed up to ensure that we behave in accordance with our values.

#### WE FOSTER STRONG LEADERSHIP

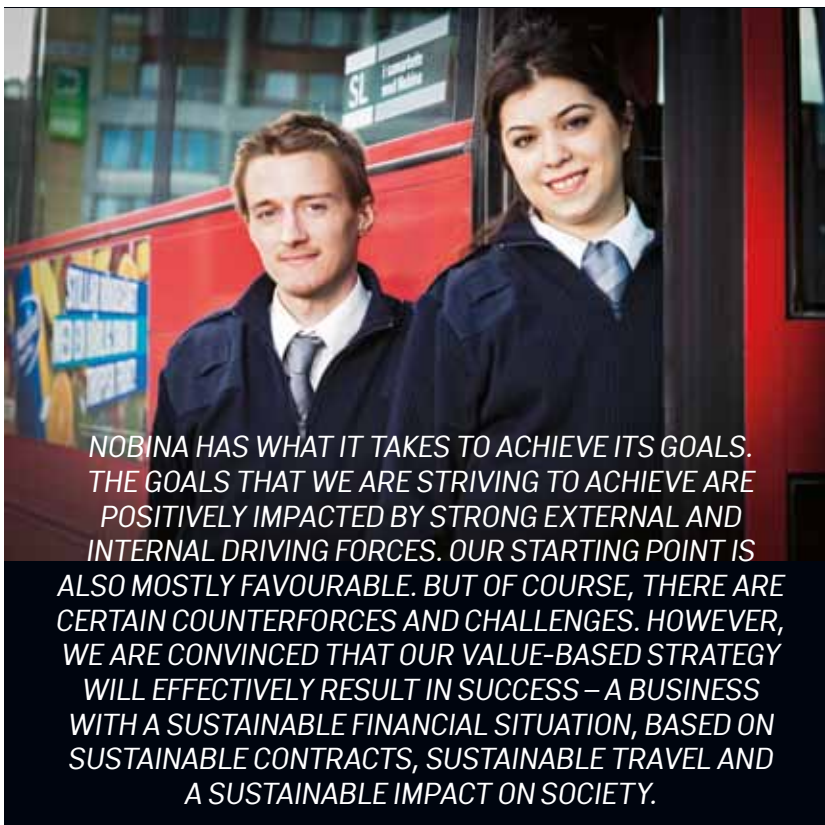
The industry's most committed employees should take the initiative in our development efforts via a leadership style that is governed by goals, delegated and focused on individuals. This increases the organization's ability to achieve its goals. We will ensure leadership succession and skill development of both managers and employees, along with acquiring cutting-edge expertise in business-critical key areas.

- We redesigned Nobina Academy.
- We recruited a new President for our Norwegian operations.
- We regularly survey our employees on the effectiveness of our governance and management efforts.

#### WE CARE

Our commitment to a sustainable society with increased mobility means that we actively pursue important public transport issues, via participation in industry associations, for example. Through dialogue with politicians, we will strive to change the rules of the game in this industry so that it is possible to deliver higher value at a lower overall cost to society, i.e. one that takes into consideration the risks and costs associated with environmental impact and traffic accidents. We actively participate our sector's consolidation towards public transport that is sustainable and quality-oriented.

- We made recommendations on new trade agreements that are now being considered in Sweden.
- We are reporting our sustainability efforts in accordance with GRI.
- We strived to improve the travel conditions for our customers.
- We engaged in a dialogue with society on increasing the benefits associated with public transport.



**B.**

NOBINA STRENGTHENED ITS FINANCIAL POSITION AND ABILITY TO ACHIEVE PROFITABLE GROWTH OVER THE LONG TERM BY REFINANCING THE GROUP'S BOND LOANS. STANDARD & POORS ALSO UPGRADED ITS LONG-TERM CREDIT RATING FOR NOBINA TO B WITH A STABLE OUTLOOK.

# PROVEN WORKING METHOD IS THE SECRET TO NOBINA'S PROFITABILITY

Nobina is one of the few company's in the Nordic bus market that is making money from its operations. The key to our profitability is a well-managed and broad contract portfolio that contains a growing number of new services, along with cost-efficient operations.

Nobina competes in a low-margin line of business. We are able to achieve profitability because of our strategy to only submit a tender on contracts where it is possible for us to make a profit over the entire term, and where we can establish efficient operations during the duration of the contract. Costs and revenues in an individual contract are hence unevenly distributed throughout the contract period. The same goes for profitability. At the start, costs can be quite substantial, mainly due to necessary investments in the bus fleet. This means that composition of the contract portfolio – along with the management of it – affects the overall profitability of each individual financial year. At the end of this financial year, Nobina had a large contract base comprised of 127 traffic agreements of varying ages and sizes.

## REVENUE

### STABLE REVENUE OVER TIME

Nobina's revenue from regional operations is stable and predictable because contracts with PTAs are long – typically between five and ten years – and they account for almost 95 percent of the Group's revenue. Remuneration is generally based on kilometres driven and/or hours. In many cases, it is also based on the number of buses in traffic. This generates stable revenue flows and low financial credit risk. In an increasing number of our contracts, revenue is, to a certain extent, based on the number of passengers. In these cases, offering added-value that encourages people to travel by bus is particularly important. We also work with product development so that we can expand our core business and thereby our revenue base as well.

Nobina has historically won a high percentage of tenders and achieved success in efforts to influence the models that are used for revenue indexation. This reduces the risk of imbalance between revenues received and actual costs. As quality assessments and incentive-based compensation become more common, it gives us more options for influencing the design of traffic and thereby also impacting the revenues and costs.

Approximately 85 percent of Nobina's contracts are also extended for a period of one to two years. This has quite a positive impact on cash flow, since the major costs were already incurred during the early years of the contract.

## COSTS

### EXPERIENCE AND SIZE ARE IMPORTANT ADVANTAGES

Price is the most common way that traffic companies try to differentiate from each other in a tendering process. This typically gives the large, more efficient traffic companies an advantage because they can deliver transportation services at low costs.

We are the largest company providing bus services in the Nordic region and we have more than 100 years of experience. So, even though we don't compete on price alone, or even as one of our main competitive advantages, we do enjoy certain cost-related advantages:

- We are able to negotiate competitive prices and achieve considerable savings by centralizing a large portion of our purchases, such as fuel, tyres, and spare parts for buses. We do this for each and every one of the Group's operating subsidiaries.
- We systematically work with traffic planning and production, which helps us maintain cost-efficient operations. This pertains to a variety of issues, such as avoiding routes with too many empty seats, using eco-fuels, driving conservatively and becoming better at filling the seats of our buses.
- Besides traffic planning, bus fleet optimization is an important tool in winning tenders and conducting profitable traffic operations.
- Realistic indexation helps us estimate the cost trends for fuel and wages in particular.

### *Optimized bus fleet is what fuels our profitability*

Besides traffic planning, bus fleet optimization is key in winning tenders and running profitable traffic operations. We actively manage the fleet and change the assignment for about 8–10 percent of our buses each year in order to optimize vehicle use. At present, the age of our bus fleet is lower than it's ever been, which is a good match with our contract portfolio.

Our success depends on a variety of factors, such as contract changes, PTA requirements on buses, our preparations prior to a tendering process, how we take care of buses as part of everyday operations and our financing solutions.

In terms of contract activity, 2012 was the most intensive financial year that Nobina has ever experienced. We conducted nearly 1,150 transactions that involved moving, buying, selling or scrapping buses. During the 2012/2013 financial year, we purchased 501 (396) buses for approximately SEK 1.2 billion and we sold 483 (590) buses. All of the new buses were acquired and financed through finance leases, which provides optimal cash flow. We also changed the traf-

fic assignment for 613 buses, which resulted in significant cost savings for both Nobina and the PTAs. At the end of the financial year, Nobina had a total of 3,455 (3,437) buses, of which 443 were owned and 3,012 were leased. The average age of the bus fleet fell during the year to 5.8 (6.2) years. In Sweden, the average age of all buses is around 7 years.

We use Nobina Fleet for central administration of all buses, which benefits the Group in the form of economies of scale and also allows subsidiaries to focus on their core operations. They also receive incentives to lower their costs by continually optimizing their bus fleets in ways that are commercially acceptable.



DURING THE 2012/2013 FINANCIAL YEAR, NOBINA CONDUCTED NEARLY 1,150 BUS TRANSACTIONS DUE TO ALL OF ITS CONTRACT ACTIVITY.

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## FOUR MAIN REVENUE MODELS

### USED IN THE REGIONAL BUS TRAFFIC MARKET

# 1.

The most common basis of payment is gross contracts. Compensation to the traffic company is entirely based on the number of kilometres, hours and the number of buses in traffic as specified in the contract. This does not give the operator any incentives to attract more passengers.

# 2.

Net contracts assume that the traffic company is able to run efficient operations and attract more passengers. These types of contracts provide revenue based on ticket sales, along with a fixed amount. The PTA makes all decisions having to do with the offering and ticket prices, which can make it impossible for the operator to earn a profit. Accordingly, this type of contract is becoming less and less common.

# 3.

An incentive contract is a gross contract where the operator gets extra compensation if it is able to attract more passengers. This type of contract is becoming more and more common.

# 4.

Payment per passenger is a new type of contract where the operators submit a tender price in the form of compensation from the PTA for each passenger that uses the services. This creates a strong incentive for the operator to attract more passengers as long as they have the flexibility to also adapt the offering as needed. The challenge for the PTA is managing the intense internal competition that can arise between different traffic assignments and operators. For example, it might involve subway, tram and bus operators competing for the same passengers.

*Common to the various types of revenue models is that changes in remuneration over time follow 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 among the Nordic countries and types of contracts, but the trend is headed towards more frequent adjustments. In Denmark, for example, the frequency of adjustments varies depending on the type of cost. In Sweden and Finland, indexation typically occurs on a quarterly basis, and in Norway, it is usually done for the first time at the end of the first year, and then applied retroactively. Certain contracts have monthly indexation, which is becoming more common, particularly in Sweden. It is extremely important to perform an analysis of index risks and lobby for improved indexation transparency that reflects actual cost inflation. This is necessary for operators to profitably execute traffic contracts.*

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## COMPREHENSIVE TENDER PREPARATIONS

To achieve profitability in traffic contracts, thorough preliminary work and resource-efficient operation are required. We use our contract database to prioritize tenders and we begin preparations one to three years prior to the announcement of the tender. The strategy encompasses thorough analysis, careful calculations and creative solutions in close dialogue with PTAs, industry organizations, employees and customers. Our tender planners analyse travel patterns, market requirements and infrastructure, test drive the routes and review present and possible depot alternatives. All of this is aimed at being able to offer a simple, affordable and sustainable traffic solution – and get the most service possible for the money.

During the term of the contract, we then make adjustments based on customer needs and in close cooperation with the PTA.

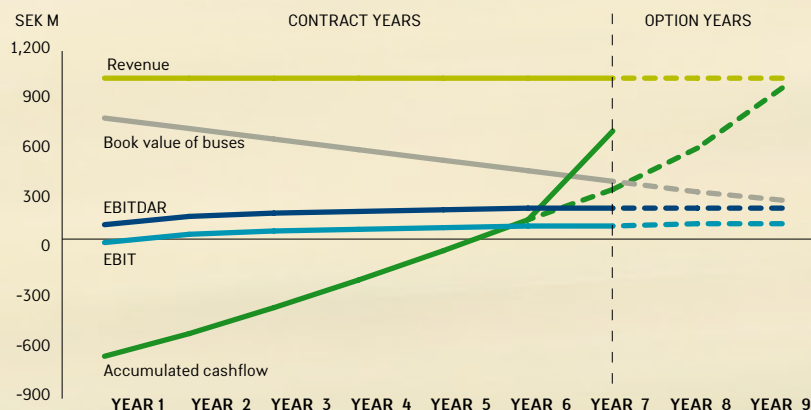
**32**  
billion SEK

THAT'S WHAT OUR CONTRACT PORTFOLIO IS WORTH.

*AT PRESENT THE AGE OF NOBINA'S CONTRACT PORTFOLIO IS LOWER THAN IT'S EVER BEEN. PROSPECTS FOR THE FUTURE ARE THUS GOOD.*

### PROFITABILITY TREND FOR A TYPICAL CONTRACT, i.e. seven years with a two-year extension option (fixed prices)

- Significant investments in the bus fleet are made at the start. This includes upgrades to existing buses and new purchases
- Fixed revenue during the term of the contract, with indexation adjustments for cost increases
- Delivery efficiency is critical to operating margin and cash flow
- Significant capital savings during the final phase of the contract
- Possible extension of the contract creates additional cash flow and a higher return



# BROAD CONTRACT PORTFOLIO

Nobina operates many long and stable traffic assignments.  
Because of that, our earnings are predictable.

Regional traffic Nobina 2012/13

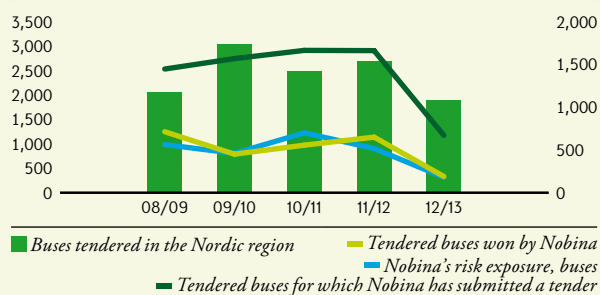
	Number of buses	Sales, SEK million	Operating profit, SEK million	Market share, buses subject to competition
Sweden	2,249	4,808	303	26.2
Denmark	139	341	-26	4.2
Norway	504	946	-25	14.0
Finland	434	801	32	
<b>Total</b>	<b>3,326</b>	<b>6,896</b>	<b>284</b>	
Share of Group	96%	95%	1.2%	

## CONTRACT OVERVIEW NEXT TWELVE MONTHS

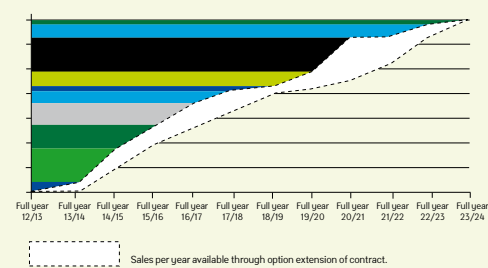
Traffic start-ups, March 2013–February 2014

Tender outcome by country	PTA	Type of traffic	No. years	Traffic start-up	Number of buses	Value (SEK M)
Sweden	Skånetrafiken	City traffic	6	June 2013	79	1,150
	Skånetrafiken	Regional traffic	7	October 2013	18	223
Finland	HSL	City traffic	6	June 2013	13	130
	HSL	City traffic	3	June 2013	9	70
	HSL	City traffic	6	August 2013	25	290
	HSL	City traffic	5	August 2013	13	140
<b>Total regional traffic</b>					<b>157</b>	<b>2,003</b>

## HISTORICAL TENDERING PROCESS OVERVIEW



## SALES PER YEAR BY LENGTH OF CONTRACT



## NEW SOLUTIONS FOR ATTRACTING MORE PASSENGERS

From Stenkällan to Västra Hamnen. During summer 2014, route number 5 in Malmö will start up as the first BRT (Bus Rapid Transit) type of system in the Nordic region. It's also been referred to as the Super Bus project. With this type of system, buses primarily drive in a dedicated lane and allow passengers to embark and disembark from all doors. BRT significantly increases capacity.

"Route 5 services slightly more than 10,000 passengers each day, which is more than any other route in Malmö. Also, it was relatively easy creating special bus lanes along most parts of this route. Accordingly, it was a suitable route for developing a concept that would increase accessibility and even out the traffic flow," says Mattias Schiöth, Traffic Investigator at Skånetrafiken.

The project is a cooperative effort between Skånetrafiken, Nobina and the City of Malmö.

"We are all working very hard together, but in our different roles, to achieve our shared goal of increasing travel and having a higher number of satisfied customer. We have a steering committee and several project groups in various sub-

areas where we jointly decide everything from how the lanes and stations should be designed, to how safety issues, ticket systems and performance appraisals should be handled. It's great to see how everyone's commitment and willingness to cooperate has resulted in a solution that we can really be proud of," says Henry Kärrström at Nobina.

The City of Malmö is also pleased with how the project work has been conducted and the overall effort.

"We continuously strive to improve public transport, not least in order to meet the growing capacity needs. Our analyses show that a solution with 24-metre long buses is the right for route number 5 over the next few years. It also simultaneously improves comfort and simplicity, so that more passengers can commute by public transport. It is an exemplary project in many ways," says Cecilia Eriksson, Project Manager for Traffic Technology, City of Malmö.

In Malmö, there are now plans to implement this solution on more routes and other cities have shown interest in the system as well.



## DESTINATION: NEXT GENERATION PUBLIC TRANSPORT

There is wide agreement in the Nordic region that well-functioning public transport is an important and vital component of creating a sustainable society. When people travel together, there are enormous benefits to society in such areas as the environment, employment, traffic safety and equality. Households and their financial situations benefit as well. This not only pushes the national economy in the right direction, but also fosters many values that people in the Nordic region care about, i.e. freedom of movement, personal safety and joint responsibility.

High fuel prices and growing concern for the environment increasingly make bus or train transport more attractive than driving. But despite the fact that cars are expensive, create congestion and are a burden on the environment, driving is, because of its convenience, increasing at a faster rate than bus travel everywhere except metropolitan areas.

With this in mind, a unified public transport sector in Sweden, on the initiative of the Swedish Association of Local Authorities and Regions (SKL), is striving to achieve the goal of doubling the number of trips using public transport by the year 2020. If that goal is achieved, it is estimated that the carbon emissions from private vehicles would be reduced by slightly more than one-fifth and the economic gain would be more than SEK 4 billion. During 2011, there was an average of 11 passengers per bus for tendered, city traffic. Note however, that it takes just 5 passengers per bus, regardless of the type of fuel used, to reduce the environmental impact. Over a longer horizon, the goal is for public transport's share of all passenger traffic to double compared to today's level of 20 %.

Given that public transport in Sweden has only increased by 23 % over the last ten years, and bus traffic by just 20 %, that is a very

ambitious target. In order to achieve these goals, the legal, political and commercial conditions must be favourable and bus companies must become much more actively involved in the process. Most people who don't use public transport do not know how it works or where it operates. Prejudices about travel times and disruptions raise the threshold even more. Thus far, the efforts of politicians and traffic companies have failed to increase the market share of public transport. There are major information challenges that need to be addressed, along with many others.

It is also necessary to make operations more efficient if the 2020 doubling goal is to be achieved. For example, the bus fleet needs to be more standardized and traffic operators must be given more freedom to design services according to demand.

### CONTINUED DEREGULATION

The new Swedish Public Transport Act, which came into effect on 1 January 2012, allows public transport companies to freely establish commercial public transport services in all geographic market segments in Sweden. Furthermore, traffic should be competitively tendered. A number of concessions in violation of this are still in

### OVERVIEW OF PUBLIC TRANSPORT IN SWEDEN, DENMARK, NORWAY AND FINLAND 2012/2013

	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	Number of buses	Market value SEK BN	Number of buses	Regional traffic Market value SEK BN	Interregional traffic Market value SEK M
Sweden	42.1	7,834	16.4	7,535	15.6	0
Denmark	21	3,437	7.5	3,307	7.2	0
Norway	19.7	6,320	13	3,450	8.5	765
Finland	12.8	5,000	9	1,500	2.9	0
<b>Total</b>	<b>95.6</b>		<b>45.9</b>		<b>34.2</b>	<b>765</b>

Market values are Nobina's estimates.

### TRAVEL IN THE NORDIC REGION

In Sweden, travel by car and public transport are both increasing. In 2012, bus traffic accounted for around 53 % of total public transport. That can be compared with the subway, which accounted for approximately one-third, and trains for approximately 14 %. However, over the last ten years, bus traffic has not managed to increase its share of public transport.

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 opens up many opportunities for Nobina. In Norway, bus traffic accounted for around 60 % of total public transport and its share of the

market has remained the same over the last few years. In Finland, public transport grew in the Helsinki area and bus traffic accounted for slightly more than half of all trips.

In Denmark, the number of passengers has decreased since 2003, which is explained by 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 due to the financial crisis. Over the last two years, comprehensive changes have been made 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 could affect the conditions for conducting public transport operations. For instance, the new government is expected to promote public transport, chiefly by means of lower ticket prices.

operation, but they will be replaced by tendered contracts over the next few years.

Denmark is somewhat of a pioneer when it comes to the deregulation of public transport, with all of its traffic tendered. The regional bus markets in Norway and Finland are also expanding because more and more contracts are being competitively procured. This means that, despite the differences in legislation and collective agreements, the same business model can be applied throughout the Nordic region.

New EU legislation is moving in the direction of continued deregulation, holding up the Nordic model as an example.

In 2012, the majority of international traffic companies had low or negative profitability in their Nordic operations. Three of the four major bus companies in Sweden suffered losses in 2012.

#### INCREASED FOCUS ON INCENTIVES AND VALUE

The trend throughout the Nordic region is toward more incentive-driven contracts, which will increase travel and make it profitable to offer public transport services. In these types of contracts, traffic companies are given more freedom in designing traffic solutions. They also obtain a higher share of the variable revenue, since the number of passengers and various types of quality measures are weighted in the compensation models. As more and more traffic areas open up for competition, prices are expected to improve and favour the traffic companies that can deliver good quality at a good price. It puts the focus on traffic companies that deliver the promised level of quality.

80 % of the tendering carried out in Sweden in 2012 included a

passenger incentive share of at least 25 %. 44 % of the PTAs followed the industry's standardization recommendations for vehicles (Buss 2010) without making their own additions. 19 % only have functional environmental requirements. 62 % follow the indexation recommendations. In 70 % of the tendering, responsibility for local marketing is delegated to the traffic company. In 72 % of the tendering, the traffic company is responsible for the planning of timetables. In 80 % of the tendering, traffic planning was delegated to the traffic companies (Source: Bus industry statistics 2012).

#### PUBLIC TRANSPORT IS COSTLY, BUT THE OVERALL CALCULATION IS FAVOURABLE

In 2011, the direct costs for local and regional public transport amounted to approximately SEK 34 billion. Since 2000, the direct costs have increased by 80 %, but the direct revenue has only increased by 50 %. In 2011, revenue from operations was SEK 16 billion and the rest was financed through grants and public contributions. 71 % of the grants were from the county councils, 28 % was from municipalities and 1 % was government funded. Since 2000, the grants from municipalities and county councils have more than doubled. In 2011, costs increased by 18 % but revenue from operations only increased by 13 %. Tax subsidies for public transport amount to SEK 1,741 per resident each year for the whole of Sweden.

When times are tough, it is difficult for the government, municipalities and county councils to achieve a balanced budget, which makes it more difficult 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 custom-built since requirements vary from one PTA to another and the number of competing bus suppliers continues to be low, which has a negative impact on pricing.

If you weigh in the indirect costs to society for all vehicular traffic, including medical costs, environmental costs and infrastructure damage, and also regard the revenue from a well-functioning public transport system from a holistic perspective – including growth and tax base – that's when the calculation becomes favourable.

Going forward, we expect to see more contract models that consider the overall benefits to society offered by public transport and contain a social cost-benefit analysis. Product offerings will also become more customer-oriented, with passengers who are willing to pay for the value they get from these services.

### CONTINUED URBANIZATION IS A DRIVING FORCE

It is estimated that sales in the Nordic market for bus travel are currently around SEK 50 billion per year. Regional traffic is estimated to account for almost 90 % and interregional traffic accounts for just over 10 %. The market saw a slight increase in 2012, chiefly in metropolitan regions, and this upward trend is expected to continue.

Nobina's largest market is in metropolitan regions. Around 25 % of residents use public transportation on a daily basis and the majority travel by bus occasionally. Women travel by bus more often than men, while young people and pensioners are the ones travelling by bus the most. More than half of all local and regional public transport (measured as the number of passenger transports) in Sweden occur in Stockholm and Stockholm also has the highest growth rate in the country.

Continued urbanization is a driving force for increased travel by public transport. It is becoming more popular due to increasing congestion, less mobility and increasing costs for travelling by car to cities, including congestion charges.

### HIGHER AWARENESS OF HOW PUBLIC TRANSPORT WORKS

Public transport is part of a complex system and there is an enormous need to raise awareness of what this system looks like and how it works. A great deal of research has also been conducted in this area, but it has not been coordinated and neither have the findings been aggregated.

In October 2012, Lund University, Malmö University and VTI (the Swedish National Road and Transport Research Institute), on behalf of Vinnova, were given joint responsibility for setting up K2, a national research centre for public transport. The aim is to coordinate research on public transport and gain a better understanding of its role in society now and in the future. This task will be carried out over a period of 12 years on a grant of around SEK 250 million.

## PUBLIC TENDERING

### SWEDEN

Almost all route-based public transport by bus is publicly tendered. In certain cities, old concession contracts remain in place, limiting competition. According to the Swedish Public Procurement Act, the tender that has the lowest price or is the most financially advantageous in some other way is the one that should be accepted. This means that the bidder can attempt to compensate a higher price with a higher level of quality. Over the last few years, the PTAs have introduced quality evaluations in which points are even awarded for the business description and assigned as much weight as the price that was offered.

### DENMARK

The Danish public transport 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 and quality assessments are becoming increasingly common, which affects the format of tendering and is reflected in the rising bid prices.

### NORWAY

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 due to European public transport regulations.

### FINLAND

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. However, the rest of Finland is now starting to expose local traffic to competition as the old concession contracts expire.

Unlike in the other Nordic countries, publicly tendered contracts in Finland are typically awarded for each specific route, rather than for an entire regional or local network.



## INTELLIGENT SERVICES WITH MANY ADVANTAGES

Smart buses benefit many. During the last financial year, Nobina Sweden has worked very hard on creating a modular concept that offers IT-based services in buses. A number of basic functions and 10 to 15 additional services have been identified – from security cameras, ticket validation and positioning services to internet onboard, alcohol interlock devices and The Green Journey concept that teaches conservative driving techniques.

“This is a holistic concept that enables us to offer services in buses that will benefit passengers and PTAs, as well as improve our own efficiency. By reusing investments already made in IT and standardising services, we can get more IT for our tax money” says Peter Björnlund, Head of Strategic Systems at Nobina.

PTAs have traditionally procured these types of services individually. Because of that, they’ve often ended up with double systems in individual buses. Now, they can have a single platform that offers customized, intelli-

gent services based on specific needs.

The services are also beneficial to Nobina in a number of ways.

“For example, we create synergies when it becomes easier to move buses between traffic assignments. We also have a service that helps us with preventive maintenance for avoiding damages. This has enormous savings potential for our own operations,” says Peter Björnlund.

Nobina will now present the new concept to existing and potential PTAs, and gather information about their needs.

“This type of initiative helps us in our effort to expand our offering and take greater responsibility for our customers’ trips. However, we can only achieve that if we have services that actually do attract more passengers and increase customer satisfaction,” says Daniel Mohlin, Product Manager for the concept.

# HOW THE PUBLIC TENDERING PROCESS WORKS...

## 1. PUBLIC ENTITIES ARE RESPONSIBLE

Politically controlled, public entities (typically municipalities or county councils) are responsible for providing regional traffic services. Regional traffic comprises regional traffic, city traffic and school bus traffic. It is becoming more prevalent in the Nordic region for traffic to be publicly tendered in accordance with the EU's traffic ordinance, which forbids any new allocation of concessions to operators.

## 2. A TRAFFIC AREA IS TENDERED

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. This typically occurs six to twelve months before the deadline for submitting a tender. Certain conditions are crucial to the competing companies, such as commercial terms, risk level and the flexibility to adapt the contract over time. The tendering phase is typically around three months long.

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 draw up a comprehensive overview of the conditions year by year. Identifying and evaluating the contract risks is a necessary step for being able to win profitable contracts. Planning encompasses everything from capacity utilization and traffic planning to investments in employees, fuel, buses and depots. In order for a traffic company to derive long-term profitability from a contract, it must thoroughly prepare and have sound traffic planning capabilities and efficient operations.

## 3. A CONTRACT IS DRAWN UP

The PTA evaluates the tenders primarily according to price and secondarily according to quality. The contract between the PTA and

the traffic company with the winning tender regulates how the traffic should be operated and is generally in force for five to ten years, with an option to extend. The contracts regulate everything from setting routes and schedules to bus requirements, such as size, appearance, environmental standard, average age and type of fuel. 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 changes in the traffic needs or delivery start to deviate from the contract. When that happens, both parties must mutually agree to the changes. Most contracts contain the option to extend by one to three years. This is typically decided about one year prior to expiration of the original contract term.

## 4. TRAFFIC STARTS ROLLING

Once traffic starts rolling, existing bus drivers and other employees assigned to the traffic area typically become employed by the traffic company that wins the contract. This immediately eliminates costs for wages, insurance and pensions for employees at the bus company that is handing over the assignment. The new traffic company must offer employment to drivers of the company that is handing over the services. Only after that may potential new hires be considered. Planning and preparation for the takeover usually goes on for about nine to twelve months before traffic starts up under the new contract.

The actual start up occurs when the prior operator drives the last route, thus concluding the assignment. This happens during the night between the last day of the contract for the resigning traffic company and the first contract day for the new operator, who begins offering services under the new contract that following morning. So, behind the scenes, there is a comprehensive, complicated changeover that society and passengers are not even aware of. An efficient, trouble-free start up for a new traffic contract is thus very demanding and important to both the operator and the PTA.

## CONTRACT LIFECYCLE



## *...STARTING TO FOCUS ON FUNCTION AND VALUE*

Fixed, long-term contracts have a number of advantages for a traffic operator, just as they do for a PTA. Above all, it has to do with predictability. The traffic operator takes on the obligation of providing a traffic programme that has been specified by the PTA. Compensation is earned for doing so. However, the ability to plan operations is no guarantee that the tendered traffic services will actually meet the passengers' needs, particularly when such needs change over time. There is a risk that the scope will either be too small or too big, both of which involve considerable costs to society. Driving around with empty buses benefits no one and especially not the environment. Overcrowded buses aren't good either, particularly from a quality or safety point of view. Safety and high quality are crucial to the long-term success of public transport.

### **INDUSTRY COLLABORATION FOR MORE REASONABLE CONDITIONS**

As the market leader, Nobina is actively involved in the discussions between traffic companies and PTAs with the aim of creating a consensus on the goals and means in tendering processes. Other aims are acceptable evaluation models and new conditions for predictability, transparency and managing risks and deviations that can affect the delivery of services. 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 tendering processes. Nobina regards the development of general terms and conditions for the industry as an ongoing process.

### **THE COST TO SOCIETY COULD EXCEED THE OFFER PRICE**

To a large extent, tenders are still decided with price as the primary criterion. Often, undercut prices are used to win a contract and it is impossible for an operator with reasonable quality requirements to match such prices. When this happens, there is also a risk that

the winning operator won't be able to deliver quality service, and/or can only do so by incurring significant losses. Frequently, the tender prices have been set without having adequately considered risks and actual traffic conditions. The ones offering such prices are typically publicly owned entities with a high tolerance for losses, since they can be offset by tax revenue. The actual cost to society can thus significantly exceed the price stated in the winning tender. No matter which way you look at it, everybody loses.

### **FUNCTIONAL REQUIREMENTS INSTEAD OF DETAILED ONES**

Another problem with the current tendering processes is that specifications are given for execution and resources rather than value and function. As a result, the level of detail in the tender documentation becomes much too high, which limits the ability to deliver value and function in accordance with passengers' needs. PTAs lock the specifications for far too many parameters having to do with buses, fuel and traffic programs. This makes it difficult to achieve optimal use of the operator's bus fleet and it puts obstacles in the way for purchasing, operations and maintenance. It limits the ability to design traffic services that correspond to actual customer needs that change over time.

The big challenge for this industry is making the shift from tendering processes dictated by detailed requirements to functional ones. It requires a shift in perspective – i.e. society getting value and benefits from public transport rather than society subsidizing it. Buses shouldn't be the only means of transport, either. In certain cases, it might make more sense for the operator to offer carpooling by taxi instead.

The aim is to make contracts less detail-oriented and more function-oriented, so that traffic companies can design services based on their own evaluation of the market needs. Nobina actively strives to push the industry in that direction.



## WE DO A LOT OF THINGS RIGHT

*"The 2012/2013 financial year was a good one for Nobina Sweden. Our delivery of services to customers and PTAs was good, as was our profit trend. We have a very strong market position, primarily because of our committed, responsible employees.*

*It is also great that the focus in our industry continues to shift such that more contracts contain incentives. The traffic contract for Helsinki, which will start up during the 2013/2014 financial year is just one example, with a larger variable portion in the revenue model.*

*For us, much focus during the year was on the start-up of services in three regions and continued efforts on the launch of the new BRT concept 2014, which has also been referred to as Super Bus. This is a cost-efficient public transport solution with special bus lanes that give buses the right of way. The buses used in this type of solution are also longer and they allow passengers to embark and disembark from all doors. The overall aim is a more rapid flow in traffic. We designed the concept in collaboration with Skånetrafiken and the City of Malmö. It's a flagship project for us, and it's also the first BRT type of system to be used in the Nordic region.*

*We've done a lot of things right. At the same time, we realize that benefits can still be derived from correcting any existing deficiencies. Besides our efforts to continually improve, we are still working together with industry representatives to inform and educate PTAs about the new industry agreements and encourage their use. We are also taking new initiatives to increase the use of public transport and provide greater benefits to society."*

Jan Bosaeus, MD Nobina Sweden

## SWEDEN STRONG MARKET POSITION

Sales for the 2012/2013 financial year declined by 2 percent to SEK 4,808 (4,905) million. Operating profit increased by approximately 3 percent to SEK 303 (295) million, primarily because of improved operational results from efficiency enhancement measures in the operations. Despite a relatively harsh winter, our efforts to reduce damage and maintenance costs continue to pay off. Fuel consumption also fell during the last financial year.

## OPERATIONS SUCCESSFUL START-UPS

During the 2012/2013 financial year, Nobina Sweden participated in public transport tenders corresponding to 853 buses, approximately 80 of which we won. None of our existing contracts were put out to tender again during the last year. We started up traffic services in Uppland, West Sweden and Skåne and all of these contracts include incentives. In Stockholm, we started up Djurgårdsbussen. It is a commercial route with daily departures between Stockholm City and Djurgården. In total, we started up services with 118 buses and discontinued services with 113 buses.

In Uppland, customers are very positive towards our double-decker bus concept, which has made a positive impact on our image and reputation. The scope of the contract is 136 new buses, which, no later than 2020 will all run on renewable fuel. Västtrafik is another large PTA and on its behalf, we started up again in Göta Älvdalen with 27 buses and another 46 buses in Vänersborg and Trollhättan. Here, as well, we are gradually renewing the fleet with buses that run on environmentally friendly fuels such as biogas and RME. Nobina is also responsible for the local marketing and schedule production, which is fully in line with our desire to take on responsibilities beyond actual operations. In Skåne, we started up traffic services in Svalöv with 13 buses and in Ekeby with 17 buses. Our contract was also renewed in Lund (East) with 34 buses.

In terms of product development, we launched a service concept during the year that involves information technology in buses. It's a modular IT product concept that offers customers additional services on buses such as internet onboard, infotainment, passenger counting and CCTV. More information is available on page 23.

Work continued on the Bus Rapid Transit (BRT) inspired concept, also referred to as Super Bus, during the year. We expect to launch it sometime in 2014. Furthermore, Nobina and Skånetrafiken reached a consensus to, at the same time, introduce travel incentives into the current contract. You can read more about that project on page 19.

We are very happy with the progress of Norrtäljetrafiken, where, for the Stockholm route, Nobina is paid per embarking passenger. Customer satisfaction increased during the year and the number of passengers riding the double-deckers on the Norrtälje–Stockholm route was 5,015,000. In order to increase

SUCCESSFUL START OF TRAFFIC SERVICES AT MANY LOCATIONS THROUGHOUT THE COUNTRY AND CONTRACTS WITH CLEAR TRAVEL INCENTIVES – 2012 WAS A STRONG YEAR FOR NOBINA SWEDEN. DEVELOPMENT EFFORTS CONTINUE AND NEW OFFERS WILL GIVE US AN EVEN STRONGER MARKET POSITION.

SALES

**4,808**

(4,905) SEK million

OPERATING PROFIT

**303**

(295) SEK million

MARKET SHARE

**26**

(28) %

NUMBER OF PASSENGERS

**203**

(211) MILLION

NUMBER OF EMPLOYEES

**5,097**

(4,621)

NUMBER OF BUSES

**2,244**

(2,295)

MILLION DRIVEN KILOMETRES

**180**

(187)

CONTRACTS

**7/7**

STARTED/CONCLUDED

SHARE OF THE GROUP'S SALES



67% (69.6)

**CONTRACT TERMS** THE MOST COMMON FORMAT ON THE SWEDISH MARKET IS THE GROSS CONTRACT, WITH REMUNERATION DETERMINED BASED ON THE NUMBER OF KILOMETRES DRIVEN AND HOURS. 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.

travel, we continue investing in local marketing and a service concept with onboard services, extra leg room and free internet onboard.

To lower our dependence on partners in upcoming tenders that include travel by both bus and tram/train, we have, during the last year, acquired track expertise at one of the companies in the Group.

Besides tendering and product development, we've continued our extensive efforts with local improvement groups and our constant focus on leadership issues. The ability to motivate and involve our employees, who continually improve our operations and offering to customers, is a prerequisite for higher profitability. The importance of our employees' efforts to impact their own work situation should not be underestimated. During the year, we implemented a scheduling scheme that enables us to create schedules that cover longer periods of time. For example, we can adapt the driver's hours to the high and low seasons. During this financial year, we will be implementing the scheduling scheme throughout the Swedish organization.

Hiring and the labour supply are not issues at the moment. However, many of our drivers will be retiring in the coming years. For this reason, we must continue our efforts to make Nobina an even more attractive employer.

## ENVIRONMENT

THERE IS A CLEAR TREND TOWARDS BIOGAS AND ELECTRICITY AS VEHICLE FUELS

The tendering requirements on vehicle types and emissions are becoming more stringent. The trend is the same throughout the country and we've noticed an increased demand for biogas and electric hybrids alongside diesel and RME. For example, both Västtrafik and Skånetrafiken specified biogas in their tenderings.

We participate in a development project on electric buses in Umeå and we've noticed a growing interest in electric bus technology.

We've installed equipment for The Green Journey in more of our buses. This not only enables drivers to monitor their driving and lower fuel consumption, but also reduce the amount of damage, drive more gently and influence customer satisfaction.

## MARKET

INDUSTRY COLLABORATION A PRIORITY

The new Swedish Public Transport Act came into effect in January 2012. Among others, it enables companies to freely set up commercial public transport services, within all geographic market segments, that compete with the publicly tendered services. Thus far, the Act has not significantly changed the market situation. However, we saw more tenderings with contracts that contained travel incentives rather than gross contracts. This is a positive trend, so it is important that traffic companies ensure that they deliver the promised level of quality.

In order to provide more value to customers and society, as well as create more balanced terms in tenders, PTAs and traffic companies continued their efforts to update the standardized contract templates. Going forward, the challenge in this industry is to make sure that the standardized contract terms are implemented. During the year, we unfortunately had to refrain from participating in a number of tenders because of significant problems that we identified in the terms and conditions.

## FUTURE FOCUS

MORE OF A CUSTOMER PERSPECTIVE

The ability to increase travel is becoming more and more important and we are intensifying our efforts in the areas of product development, marketing and sales. We are also starting to develop peripheral services. For example, we will launch the concept of IT services on buses, which we're particularly excited about.

Three-party cooperation is key to achieving very successful results in product development and an increase in travel. With this in mind, we cooperate with PTAs and municipalities using a customer perspective so that we are better prepared to satisfy our customers' travel needs. Having worked in this way, it will be very exciting to see traffic services start up in Helsinki during this financial year.

We will also, of course, focus very much on the large number of tenders during the first half of this financial year. Another important task will be continuing to acquire knowledge and implement the standardized industry terms, which will play a big role in increasing the value provided to customers and society.

And, of course, we will continue ongoing efforts to streamline operations.

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### NOBINA SWEDEN'S STRENGTHS

- WE ARE GOAL-ORIENTED AND WORK SYSTEMATICALLY, FOLLOWING AN ESTABLISHED PLAN
- OUR EMPLOYEES AND MANAGERS TAKE A GREAT DEAL OF RESPONSIBILITY TO ENSURE HIGH QUALITY DELIVERIES AND RESULTS
- WE HAVE THE BEST SYSTEM SUPPORT FOR RUNNING OPERATIONS IN THE MARKET
- WE HAVE AN OPTIMIZED VEHICLE FLEET

In Sweden, Nobina is the market leader in public transport bus services, with nearly one-third of the publicly tendered market for city and regional traffic, which is the responsibility of 20 PTAs and is worth approximately SEK 14 billion. At the end of the financial year, Nobina had around 2,244 buses operating in traffic at about one hundred locations in accordance with its contracts with 13 PTAs.

SL is the largest PTA in Sweden, since Stockholm alone accounts for almost half of all Swedish public transport. Other major competitors are Keolis/Busslink, Arriva and Veolia. Many of the small and medium-sized bus companies are being consolidated through acquisitions and mergers.





## SOLIDIFY OUR POSITION AS A QUALITY SUPPLIER

*"In just five years, Nobina Denmark has established a stable position on the Danish market thanks to a well-developed offering, clear leadership and efficient operations. We now have a total of five contracts and 140 buses in operation for two PTAs in the Danish regional traffic market. During the year, we concluded one contract and won another one.*

*We continually strive to improve profitability and improve our business acumen, as well as the quality of our deliveries and cooperation with the PTAs. Because of that, we have significantly improved our important key figures and the contracts that have revenue incentives. We conducted a marketing campaign in Copenhagen during the fourth quarter, which resulted in a 12 percent increase in the number of passengers.*

*Now we will continue along the path of continued long-term growth through profitable contracts."*

Niels Peter Nielsen, MD of Nobina Denmark

## DENMARK BUSINESS ACUMEN AND COOPERATION ARE PRIORITIES

The Danish operations reported sales of SEK 341 million for 2012/2013, which was a slight improvement on the previous year. The operating profit/loss improved to SEK -26 million. We were awarded options in two of our contracts, which has a positive effect on profitability. The reason for continued losses, however, is an unprofitable contract that expires in 2014 and accordingly, is being put out to tender again during autumn 2013. On the whole, we demonstrated during the financial year that our quality and efficiency of operations continues to improve.

### OPERATIONS WIDE RANGE OF ACTIVITIES

In October 2012, Nobina Denmark expanded its operations by adding 10 buses in Herlev because of the tender it had won earlier in the year. In January 2013, we concluded a contract with 17 buses in Ringköping Tarm. Otherwise, tendering activity was relatively low.

During summer 2012, we set up our own workshop in Glostrup, which has enabled us to cut maintenance costs and improve the quality of service for our buses. During this financial year, the workshop will become environmentally certified according to ISO 14001.

We have good relationships with the PTAs and actively participate in designing the offering to passengers, which involves everything from market surveys to product development and marketing. In Copenhagen, we conducted a new marketing campaign, which included both mass marketing and targeted advertising. This was a collaborative effort with the PTA, MOVIA. The campaign resulted in a 12 percent increase in the number of passengers during the fourth quarter of 2012. For this contract, customer satisfaction also increased during 2012 because more than ever before, we have focused on quality monitoring, for example.

In Randers, Nobina, Mittrafik and Randers Municipality implemented a number of measures to improve daily operations and increase the number of passengers. For example, we installed automatic stop signals and improved the passenger counting system. During 2013, we will continue working together on a public transport week, which will involve a wide range of stakeholders throughout Randers.

We also focused on reducing the number of incidents for all of our operations in Denmark. Over these last few years, we've done a number of things, and involving drivers is just one example. It's important to follow up with discussions after an incident. It's also necessary to have better instructions and contracts between the departments for reporting and dealing with incidents. We've come a long way, but are not quite there yet.

CLOSE COOPERATION WITH PTAS AND IMPORTANT KEY RATIOS ARE MOVING IN THE RIGHT DIRECTION. WITH CONTINUAL IMPROVEMENTS IN OPERATIONS, WE'RE READY FOR PROFITABLE, LONG-TERM GROWTH. THE LAST YEAR WAS AN IMPORTANT STEP IN THAT DIRECTION.

SALES

**341**

(325) SEK million

OPERATING PROFIT

**-26**

(-33) SEK million

MARKET SHARE

**4.0**

(4,0) %

NUMBER OF PASSENGERS

**16**

(16) MILLION

NUMBER OF EMPLOYEES

**355**

(334)

NUMBER OF BUSES

**139**

(151)

MILLION DRIVEN KILOMETRES

**12.9**

(12.5)

CONTRACTS

**1/1**

STARTED/CONCLUDED

SHARE OF THE GROUP'S SALES



4.7% (4.6)

**CONTRACT TERMS** VARIABLE REMUNERATION IS STILL ONLY APPLIED TO SCHEDULE HOURS. OVER THE LONG RUN, THIS CAN CREATE IMBALANCE BETWEEN REVENUE AND KILOMETRE-BASED COSTS. THIS IS A PARTICULAR RISK WHEN THE OFFERING IS ADJUSTED. 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.

During the last financial year, we strengthened the organization by recruiting several new employees, one of whom is the workshop manager for all of Denmark. We also set up our own workshop in Glostrup.

We enhance daily leadership skills through dialogue and a focus on quality, along with follow-up and improvements. Our strategy seminars and Nobina Academy support development and make it possible for us to continually discuss various themes. Going forward, we hope to exploit the potential of job training and exchange best practices between different activities and contracts. During the last year, we had a particular focus on helping our drivers gain a better understanding of the customer perspective. We discussed the importance of good service, not least by spreading stories of good examples throughout the organization. Nobina had an average of 389 employees during the last financial year, and the recruitment situation is good.

## ENVIRONMENT

### ONGOING ENVIRONMENTAL EFFORTS

The Danish bus fleet currently consists of 140 buses, of which most are new, with engines that meet the EEV and Euro 5 standards. We have an ongoing focus on The Green Journey, which, for example, entails measuring fuel consumption for each driver and bus. We expect to improve our key figures in this area over the next few years. PTAs are still focusing on diesel buses, but new fuels like gas and electricity are becoming more relevant.

## MARKET

### A GROWING MARKET

Denmark continues to make investments in public transport. One example is the new metro line in Copenhagen and a new tram line in Århus. There is also an ongoing political discussion on establishing a Bus Rapid Transport concept or trams for several routes in

Copenhagen. Nobina's BRT system in Malmö will, accordingly, serve as an important reference.

The Danish municipalities and regions have budgets for public transport. These budgets are now stable, following several years of cutbacks. Tendering volumes have also fluctuated, but over the next few years, we expect that they will also even out.

## FUTURE FOCUS

### PROFITABILITY AND NEW TENDERS

In 2013 we will continue efforts to improve the profitability of our contracts. This will involve negotiating better contracts with our suppliers and minimizing resource waste. We will also strive to continually strengthen our operative leadership and minimize sick leave, damages and fuel consumption. We will increase focus on cross-disciplinary processes and we will obtain ISO 14001 environmental certification for our operations.

During the year, we will participate in a number of important tenders involving both MOVIA and Mittrafik and a scope corresponding to 250 buses. We hope very much that we will be successful. The tendering activity will be more intense this year, which will also require more resources.

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### NOBINA DENMARK'S STRENGTHS

- GOAL-ORIENTED
- CONTINUAL STREAMLINING OF OPERATIONS
- QUALITY DELIVERY OF TRAFFIC SERVICES



When Nobina set up operations in Denmark in 2008, it entered a geographic market worth approximately SEK 7,5 billion. The Danish market is consolidated, with five regions and six PTAS.

The market leader is the bus and train services company, Arriva, which is owned by Deutsche Bahn. It has around 31 percent of the market. Nobina is the sixth largest competitor, with around 4 percent of the market and the goal is to continually improve the company's market position.



## A YEAR OF FLUX

*"A great deal of focus during the 2012/2013 financial year was on improving internal processes and creating the right conditions for profitable contracts, which requires changes to the organization and culture.*

*For Nobina Norway, this has definitely been a year of flux. We concluded the contract in Hedemark and started up services in Oslo (West) and Tromsø. This replacement represents around half of our total revenue. A large portion of the management team for the Norwegian organization is also new: I have been the managing director since autumn 2012 and we have several other new employees in key positions.*

*It is excellent that we now have operations in Oslo again, after an eight-year absence, thanks to the contract for Oslo (West). The start-up of services there has been successful. However, we have faced a number of challenges in connection with starting up services in Tromsø. There are always a number of risks associated with the start of services for a contract that has been publicly tendered for the first time. Unfortunately, though, the problems we've encountered in Tromsø have been more serious than one might expect. We are continuing forward with a high level of motivation to develop the organization and ensure that we have the right employees at the right positions throughout the organization. The path forward has already been staked out. With renewed energy, we will work hard to make the Norwegian organization the best that it can possibly be."*

*Philipp Engedal, President of Nobina Norway*

## NORWAY REQUIREMENTS FOR A FUNCTIONING ORGANIZATION

The Norwegian operations had sales of SEK 946 (718) million in 2012/2013, which was SEK 228 million higher than the previous year. Operating profit/loss improved to SEK -25 (-128) million. Indexation adjustments were inadequate and maintenance costs were high. The start-up costs for Tromsø in particular were also higher than expected.

### OPERATIONS

#### FOCUS ON ORGANIZATION AND OPERATIONS

Nobina Norway obtained new leadership during the financial year, along with several new employees in key positions who have extensive experience in change processes and logistics. For example, the company now has a new President, CFO and Head of HR. It also has a new manager for tendering and business development, as well as a number of new operations managers for various traffic areas. We've also made organizational changes to create a flatter structure with more focus on operations. Although employee turnover and changes to the organizational structure have consumed considerable resources, it was necessary in order to run the Norwegian business successfully.

Our revenue was consumed by increased costs and accordingly, margins were low. For this reason, we have initiated a cost-focused streamlining programme. Important components of this are more well-defined working methods, leadership development and follow-up with employees. We also face the problem of difficulty recruiting personnel for some of Nobina Norway's contracts and sick leave figures are also relatively high.

The staffing problems, cost challenges and sick leave are three factors which, together with incorrect specification of buses, have made the start-up of services in Tromsø (northern Norway) particularly difficult. This is a large contract. It involves around 300 employees and 32 of the buses are hybrids. These types of buses have never been used in winter conditions before and the results have not been good, with both delays and vehicle damages. We've worked hard at implementing necessary improvements like winter preparations, filing claims with suppliers, cooperation with the PTA (TFT), organizational changes and recruiting. We set up a task force to solve critical problems in a concrete plan of action. We also reinforced our leadership.

The new Oslo (West) contract came into force in October 2012. It encompasses 78 buses and 230 employees. Unlike Tromsø, it has been successful and it also demonstrates our ability to efficiently start up new services. On the whole, everything has been implemented according to plan. We have not had any staffing problems and services have run smoothly. We will now continue streamlining the organization and establishing efficient routines for eliminating damages.

UNDER NEW LEADERSHIP AND WITH SEVERAL NEW EMPLOYEES IN OTHER KEY POSITIONS, NOBINA NORWAY HAS, DURING THE LAST FINANCIAL YEAR, STRIVED TO SET UP A STABLE ORGANIZATIONAL PLATFORM AND ENSURE SOUND OPERATIONS. A GREAT DEAL OF FOCUS HAS ALSO BEEN ON THE TWO NEW TRAFFIC CONTRACTS, OSLO (WEST) AND TROMSÖ.

SALES

**946**

(718) SEK million

OPERATING PROFIT

**-25**

(-128) SEK million

MARKET SHARE

**15**

(13) %

NUMBER OF PASSENGERS

**19.5**

(12.6) MILLION

NUMBER OF EMPLOYEES

**1,192**

(843)

NUMBER OF BUSES

**504**

(520)

MILLION DRIVEN KILOMETRES

**27.4**

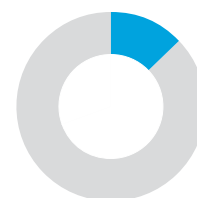
(23.2)

CONTRACTS

**1/1**

STARTED/CONCLUDED

SHARE OF THE GROUP'S SALES



13% (10,2)

## CONTRACT TERMS THE SUPPORTING DOCUMENTS FOR TENDERS SPECIFY 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. THE TRANSITION TOWARDS MORE INCENTIVE CONTRACTS IS SLOW.

For our other existing contracts, we have successfully implemented improvements in a number of areas. We also strengthened several of our key figures, such as fuel reduction.

### ENVIRONMENT

#### NEW CONTRACTS, NEW ECO-BUSES

The environmental requirements have become increasingly detailed in the contracts that Nobina Norway has entered into. For example, we are making the largest investment to date in biogas buses in conjunction with our contract for services in Oslo (West). This has involved a major renewal of the bus fleet with a strong environmental profile and better comfort for customers. Of the 78 new buses, 51 run on biogas. The buses have AC and they have also been adapted to accommodate the needs of people with disabilities. Nobina is also involved in efforts to establish a completely new infrastructure for reliable gas deliveries and easy refuelling of the buses that run on gas. We will also soon obtain ISO 9001 (quality) and ISO 14001 (environmental) certification for the Oslo (West) services, just like we've done for the other Nobina Norway units.

The contract in Tromsø also involves considerable renewal of the bus fleet and a stronger environmental profile. For example, 100 of the 126 buses have been newly purchased. Of those new purchases, 32 are diesel hybrid buses, which means that Tromsø now has the largest fleet of hybrid buses in northern Europe.

During the last year, we also put a lot of effort into The Green Journey in order to promote conservative driving, reduce damages and make the experience more pleasant for passengers.

### MARKET

#### TOUGH CONDITIONS IN A GROWING MARKET

During the 2012/2013 financial year, there was public tendering in Norway corresponding to 78 buses and several of these traffic areas were tendered for the first time. In total, this portion of the bus market declined by 1.1 percent in 2012. However, the portion of the market that was open to tender increased by 4.4 percent. Changes taking place in the market have increased the competition and pricing pressure in contracts.

During summer 2012, we ceased our own traffic services in Hedemark. None of our existing services were up for tender in 2012 and Nobina did not participate in any new tenders either.

We are involved in long-term efforts to improve the situation in this industry so that there is more predictability from indexation adjustments for things like salary expenses and fuel prices. This is important so that bus operators can gain control of their costs and thereby also profitability. During the last year, a new bus indexation scheme was proposed for the industry. It is administered by Statistics Norway and the intention is for it to be used in new contracts.

### FUTURE FOCUS

#### MORE EFFICIENT OPERATIONS

The main priorities for the Norwegian business are continuing to improve the efficiency of operations, along with gaining control over own operations and existing contracts, Tromsø in particular. During the next financial year, comprehensive changes will be implemented throughout the Norwegian organization. This will include a review of contracts aimed at improving efficiency and profitability. It involves everything from leadership development, changes to the company culture and ensuring that everyone knows their areas of responsibility to good financial control, purchasing practices and cooperation with PTAS.

Over the long term, the calculations for the new contracts in Oslo and Tromsø look positive. We will defend our existing contracts, but also participate in new tenders and try to reach higher volumes in the areas where we have competitive advantages.

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### NOBINA NORWAY'S STRENGTHS

- SKILLED EMPLOYEES
- GOOD SYSTEMS AND ROUTINES
- PART OF THE NORDIC REGION'S LARGEST BUS GROUP



Nobina Norway's regional traffic is concentrated to the capital region, Hordaland and Vestfold in the south, and Tromsø in the north. The services are distributed across eight contracts with four PTAs.

The Norwegian market for bus traffic is fragmented, with over a hundred regional players, yet only five players at the national level. Contracted regional traffic generates sales of around SEK 7 billion and constitutes about 65 percent of the total regional traffic market. The market leader is state-owned Nettbus/NSB with 26 %, while Nobina is the fifth largest player with around 13 % of the market.



## CAUTIOUSLY OPTIMISTIC

*"Our results for 2012/2013 were good, primarily because we were able to convert several loss-making contracts into profitable ones. Another important factor was the improved indexation adjustment that compensates operators for cost inflation in contracts. We also increased revenue via extra services, which we renegotiated with the Helsinki PTA, Helsingfors Regionens Trafik (HRT). Furthermore, we significantly improved several of our important key figures: maintenance costs, costs associated with accidents/damages and sick leave. We did this by working systematically, e.g. continual monitoring and proactive measures in prioritized areas. We also implemented around 90 percent of the strategic activities listed in our business plan during the last financial year.*

*The market for publicly tendered transport services is now starting to grow outside the Helsinki region. During the next financial year, we look forward to participating in a handful of tenderings in Finnish areas that are opening up their regional bus traffic to competition for the first time. More and more municipalities are taking this step and accordingly, the Finnish bus market is going through the greatest change in 80 years.*

*Our most important priority is to continue working hard on efficiency and quality in order to raise profitability. Two cornerstones of this work are motivated employees and growth outside the capital regions. I anticipate a bright future for Nobina Finland."*

*Tom Ward, President of Nobina Finland*

## FINLAND STABLE POSITION IN A GROWTH MARKET

The Finnish operations had sales of SEK 801 (775) million, which is an increase of SEK 26 (19) million compared to 2011/2012. Operating profit also significantly improved and was SEK 32 (12) million for 2012/2013. Factors behind this positive trend are primarily higher operating results due to more efficient operations. We also managed to lower the costs associated with maintenance and damages. Our efficiency improvements are also associated with having added several new, innovative light-weight buses, which are now being used in the Helsinki region. We also opened a new depot in Kiviruukki, Esbo, for 25 buses and around 60 employees. It is a good addition to our business and it helps us avoid running empty buses and idle time.

### OPERATIONS

#### IMPORTANT PROCESS IMPROVEMENTS IMPLEMENTED

Certain organizational and personnel changes were implemented during spring 2012 aimed at lowering maintenance costs and they are already starting to pay off. Costs have significantly declined thanks to new processes that help us work proactively and comprehensively on maintenance issues. Employee training has also played a role.

We also managed to reduce the costs of damages. Weather certainly influences the outcome of accidents and damages. However, we have focused on things we do have control over, like providing more training to our drivers, continual monitoring, identifying the root cause and sometimes even re-teaching the basics in order to improve the skills of our drivers. Nevertheless, damages is still the area where we need to improve the most. We have set up improvement groups in accordance with the Nobina model. These groups consist of employees from throughout the organization and they are now really starting to make progress. Going forward, we expect to see even clearer results from our efforts to prevent accidents and improve the way we handle incidents.

We also focused on employee health and well-being during the last financial year. For example, we initiated a three-year health programme that involves training for managers and employees, along with campaigns on the benefits of a healthy diet and exercise. Managers have been discussing health issues within their groups and created activity plans for individuals on long-term sick leave. Lower absenteeism, however, is the result of long-term, systematic improvement efforts throughout Nobina Finland.

All of the improvement in key figures is also explained by the focus we've had on leadership issues over the last few years. Managers now have much better contact with the drivers, and efforts relating to monitoring, feedback and progress reviews are going well. All of this makes a positive impact in the form of fewer incidents, less absenteeism and lower fuel consumption.

THE FINNISH BUS MARKET IS CURRENTLY GOING THROUGH THE GREATEST CHANGE IN 80 YEARS BECAUSE MANY REGIONS THROUGHOUT THE COUNTRY ARE OPENING UP LOCAL TRAFFIC TO COMPETITION. FOR NOBINA, THIS IS OBVIOUSLY GOOD NEWS. WITH SEVERAL IMPORTANT KEY FIGURES STARTING TO MOVE IN THE RIGHT DIRECTION, OUR OUTLOOK FOR THE FUTURE IS CAUTIOUSLY OPTIMISTIC.

SALES

**801**

(775) SEK million

OPERATING PROFIT

**32**

(12) SEK million

MARKET SHARE

**33**

(32) %

NUMBER OF PASSENGERS

**51.6**

(48,2) MILLION

NUMBER OF EMPLOYEES

**949**

(915)

NUMBER OF BUSES

**434**

(397)

MILLION DRIVEN KILOMETRES

**35**

(34)

CONTRACTS

**3/9**

STARTED/CONCLUDED

SHARE OF THE GROUP'S SALES



11% (11,0)

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**CONTRACT TERMS** THE FINNISH MARKET LAGS BEHIND OTHER NORDIC COUNTRIES WHEN IT COMES TO THE TRANSITION TO INCENTIVE BASED CONTRACTS. THE FIVE PLAYERS ON THE MARKET ALSO COMPETE IN A PRICE ENVIRONMENT THAT REQUIRES A VERY HIGH LEVEL OF EFFICIENCY. HOWEVER, WE ANTICIPATE THAT THE PRICE SITUATION WILL GRADUALLY IMPROVE.

## ENVIRONMENT EFFORTS TO LOWER EMISSIONS

Nobina Finland actively strives to reduce its emissions. We are continually adding more eco-buses to existing contracts, e.g. buses that run on biodiesel. Since 2012, The Green Journey has also been an important component of our efforts to reduce fuel consumption, primarily through conservative driving practices. Equipment has been installed in 146 of our buses for measuring the effects of driving and enabling continual follow-up between drivers and managers.

During the last financial year, the PTA, Helsingfors Regionens Trafik (HRT) held an environmental bonus competition and entities that were able to lower their emissions could earn up to EUR 630,000. We won EUR 360,000 of that sum thanks to innovative solutions like the use of biodiesel and environmental upgrades in contracts that will soon apply.

Nobina Finland also works systematically with recycling, particularly at the Klovi depot.

## MARKET OPENING UP TO COMPETITION

Bus services corresponding to 295 buses were opened up to competition in the Helsinki area during the last financial year. Nobina Finland won tenders corresponding to 102 buses and contracts corresponding to 118 buses expired. At the beginning of the financial year, we also reached an agreement with one PTA on extra services. We lost business corresponding to 16 buses.

Nobina Finland started up services for several contracts during the financial year. One was the takeover of some of Westendin-Linjat's operations when this competitor went bankrupt.

The market outside Helsinki is slowly starting to open up and growth will increase already during 2013/2014. In total, 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.

## FUTURE FOCUS PROFITABLE CONTRACTS

The 2013/2014 financial year will be a very interesting one for Nobina Finland. We will have the option of participating in several tenderings in Helsinki and we are particularly looking forward to opportunities for expansion outside the capital region. In every contract, regardless of whether it is existing or new, profitability is the main focus. We will also have a variety of activities that focus on employee satisfaction and commitment, which will become increasingly important as competitiveness intensifies. Furthermore, we will be conducting a customer survey and continue working to ensure that they are satisfied.

Since 2012, Nobina has been a member of the Finnish bus association. We feel that there will be good opportunities for encouraging PTAs to improve the contract terms in future tenderings. The association has one person who works specifically on improving the conditions in tenderings.

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### NOBINA FINLAND'S STRENGTHS

- INNOVATIVE APPROACH TO TENDERINGS
- MANAGEMENT OF TRAFFIC CONTRACTS
- EFFECTIVE SET-UP OF DEPOTS
- IMPROVEMENTS IN EMPLOYEE SATISFACTION

Nobina's Finnish operations are primarily in the capital region, which is the largest market for city and regional traffic in Finland. The following municipalities are part of the Helsinki region: Esbo, Grankulla, Helsinki and Vanda. In total, they have more than one million residents. Nobina Finland provides services to each of these municipalities, all of which are the responsibility of one PTA – Helsingfors Regionens Trafik (HRT). It is also the largest player, with around 33 % of the market. In the municipalities, the main competitors are Helsingfors Busstrafik (HELB), Veolia (a French company) and the state-owned railway company, Pohjolan Liikenne. One competitor, Westendin Linjat, went bankrupt during the year and Nobina Finland took over parts of its operations.





## VIGOROUS EFFORT IN A TOUGH MARKET

*"2012/2013 was a satisfactory year for Swebus. Despite a tough market situation, we managed to deliver positive results thanks to vigorous efforts on both the cost and revenue sides. We expect to see even more results as we continue strengthening the offering to our customers and implementing streamlining measures in operations.*

*At the same time, it is difficult getting a good foothold as a commercial player in this market, partly because of the unbalanced competition. However, we will gradually solidify Swebus' position, primarily through new products and services based on our strong brand. For example, we want chartered bus travel to represent a greater portion of our sales in the future. We've also noticed that event trips are becoming more popular. We are continuing to develop our cooperation with Coop grocery store and are also looking for new partners. Of course, we will continue to maintain control over costs. In summary, we will carry on realizing Swebus' potential in both expected and unexpected ways. I am optimistic about the future."*

*Joakim Palmkvist, Managing Director of Swebus*

# SWEBUS NEW PRODUCTS SPREAD OUT REVENUES

The 2012/2013 fiscal year was another challenging one for Swebus. Sales fell from SEK 370 million to SEK 355 million compared to the prior year, but we managed to return to a positive operating profit of SEK 5 (-4) million. We achieved this through layoffs, adapting the offering and streamlining measures to operations that improved the occupancy rate. Travel distance didn't decrease as much as it has in prior years, but competition from train and air travel continues to increase. The lower travel distance has a negative impact on revenue and it also slows down efficiency improvements. At the same time, costs were affected by our aggressive investments in IT applications and airport shuttle services.

## OPERATIONS NEW PRODUCTS AND COOPERATION

During the last financial year, Swebus conducted a number of activities and launched new offerings to increase bus travel. Here are a few examples:

- We launched scheduled trips from Gothenburg, Skåne and Jönköping to the popular shopping destination, Gekås in Ullared.
- During the winter, trips to ski destinations Kungsberget and Sälen were launched, and collaboration on sales with Fjällexpressen/Strömme Buss, with trips to locations including Idre, Trysil and Lofsdalen.
- During the summer, we started offering trips to new destinations like Skara Sommarland and Kolmården zoo when the summer timetables came into effect.
- We started cooperating with Viking Line shipping company to optimize public transport between Stadsgården in Stockholm and a number of Swedish cities. Buses run daily between Eskilstuna, Västerås and Uppsala, with connections to Swebus' other routes.
- We continued offering event trips to the "big four" (running, biking, skiing and swimming) races, computer gaming events, the Gothenburg book fair and several major music festivals.
- We signed a cooperation agreement with Smart Senior for discount travel to pensioners.
- We launched a number of additional products (priority boarding, extra baggage, booster seats).
- The Swebus price guarantee celebrated its first anniversary. This means that passengers are paid the difference plus SEK 1 if they find an equivalent cheaper trip offered by another express bus company.

**SWEBUS IS WORKING ON DEVELOPING THE OFFERING AND INCREASING THE BUS OCCUPANCY LEVELS. A MAJOR COMPONENT OF THAT IS COMMUNICATING THE OPPORTUNITIES TO BOTH EXISTING AND POTENTIAL BUS PASSENGERS. ULTIMATELY, IT HAS TO DO WITH OFFERING A PRODUCT THAT REALLY DOES MEET THE REQUIREMENTS OF CUSTOMERS.**

## OTHER PRIORITY AREAS

During the year, we increased our investment in chartered bus travel and now have a group that only works with this task. There is certainly growth opportunity here and the number of bids offered for chartered trips reached its highest level to date. We are also continuing to explore partnerships with subcontractors (we currently have four of these in place) to offer bus travel entirely or partially under the Swebus brand.

The Swebus airport transfer initiative between Stockholm City and Arlanda Airport (direct line) continued during the past year. Awareness is increasing in the target group and we have implemented a travel time guarantee that compensates passengers with a free trip if the bus trip takes longer than 35 minutes. At the same time, the competitive situation will worsen if Swedavia starts charging landing fees for buses, along with SL's investment in publicly financed commuter services to Arlanda. Swebus also offers airport transfer services on the Örebro–Västerås–Arlanda route.

## AVAILABILITY FOCUS ON SALES

As a rule, Swebus is always a less expensive alternative to the corresponding train route for ticket purchases immediately prior to departure. In addition, we offer discounts for children, students and pensioners. We concluded two projects during the year that resulted in new, efficient, modular IT platforms for information and ticket purchases. This is an investment to meet the demands of current and future travellers for 24/7 service in various sales channels. From an operational point of view, this primarily improves the ability to control the sale of tickets in a way that improves efficiency.

The website is an effective channel for marketing and selling trips. During the year, the number of visitors to swebus.se continued to rise and it is now over seven million. 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. The aim is to offer the highest possible level of availability.

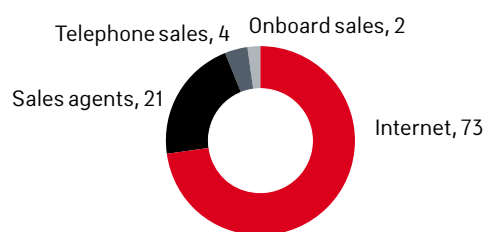
## FUTURE FOCUS

### BROADENING THE REVENUE BASE

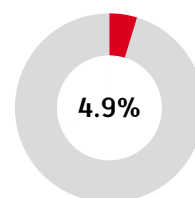
We continue to expand the Swebus offering, particularly in the chartered bus travel segment. We are currently evaluating a "rent-a-bus" concept that would involve priority partnerships for specified driving assignments, extra services and chartered services. The aim is to supplement the main operations while at the same time increasing flexibility in production, all the while maintaining focus on Swebus as a brand.

In order to further strengthen our position in the market, we need to make additional structural changes and streamline operations even more.

### DISTRIBUTION OF SWEBUS' SALES CHANNELS, %



### SHARE OF THE GROUP'S SALES



## OUR BUSES

In order to keep cutting our fixed costs, we have continued to reduce the number of vehicles that we own ourselves. We have also increased leased capacity as needed. With 65 (74) buses of its own, Swebus nevertheless remains the single largest player in the industry. All of our buses had seatbelts, alcohol interlock devices, air conditioning, toilets, free internet and power sockets for charging cell phones and computers. Many of our buses are also equipped with fold-down tables for passengers. All of our buses, including Swebus airport transfer buses are environmentally certified with the Good Environmental Choice label.

Facts and key figures	2012/13	2011/12
Sales, SEK million	355	370
Operating profit/loss, SEK million	5	-4
Market share, %	45.9	50
Number of passengers, millions	1,968	2.1
Number of employees	214	242
Number of buses	65	74
Million driven kilometres	14.7	16.4
New routes during the year	1	2
Share of the Group's sales, %	4.9	5.2

## STRONG BRAND AND SATISFIED CUSTOMERS

- The Swebus brand has a high level of recognition thanks to high availability, modern services and friendly customer service. According to the annual consumer survey, Swebus has highest recognition, 67 percent, among bus companies in Sweden.
- Swebus' rating in this year's customer satisfaction survey, Swedish Quality Index (SKI), was 71 (69). 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. Competent employees and the 24/7 availability of Swebus' customer service are some of the success factors.
- 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.

## MARKET: TOUGH CONDITIONS IN A GROWING MARKET

Interregional traffic services consist of buses that run according to a schedule on routes that cross at least one county border. Services are provided entirely on commercial terms, with competition in the form of cheaper tickets and more flexible travel alternatives.

Traffic companies have full responsibility for all aspects of the service, including route planning, scheduling and prices. All revenue comes directly from the sale of tickets to passengers. This requires a strong offering, with effective marketing communication and efficient sales channels.

At the same time, competition in the long-distance travel market has intensified in the last few years. Low price flights continue to be a strong competitor to long-distance bus travel. Train operators are also launching trips on new routes and lowering prices as part of the battle over passengers. For example, on the Gothenburg–Malmö/Copenhagen route, the competition between train and bus operators for passengers has been

particularly intense. Although trains are currently still the undisputed market leaders for interregional traffic and are growing faster than express bus traffic, the dynamics are nevertheless expected to increase in the market.

Swebus believes that there will be weak growth in the market for interregional traffic for the time being. Important passenger categories for interregional traffic are primarily youth, students and pensioners. However, a growing number of travellers appreciate the competitive service of buses compared to trains and airlines, saved costs through leaving their cars at home and, not least, the environmental advantages.

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.

### **SWEBUS' STRENGTHS**

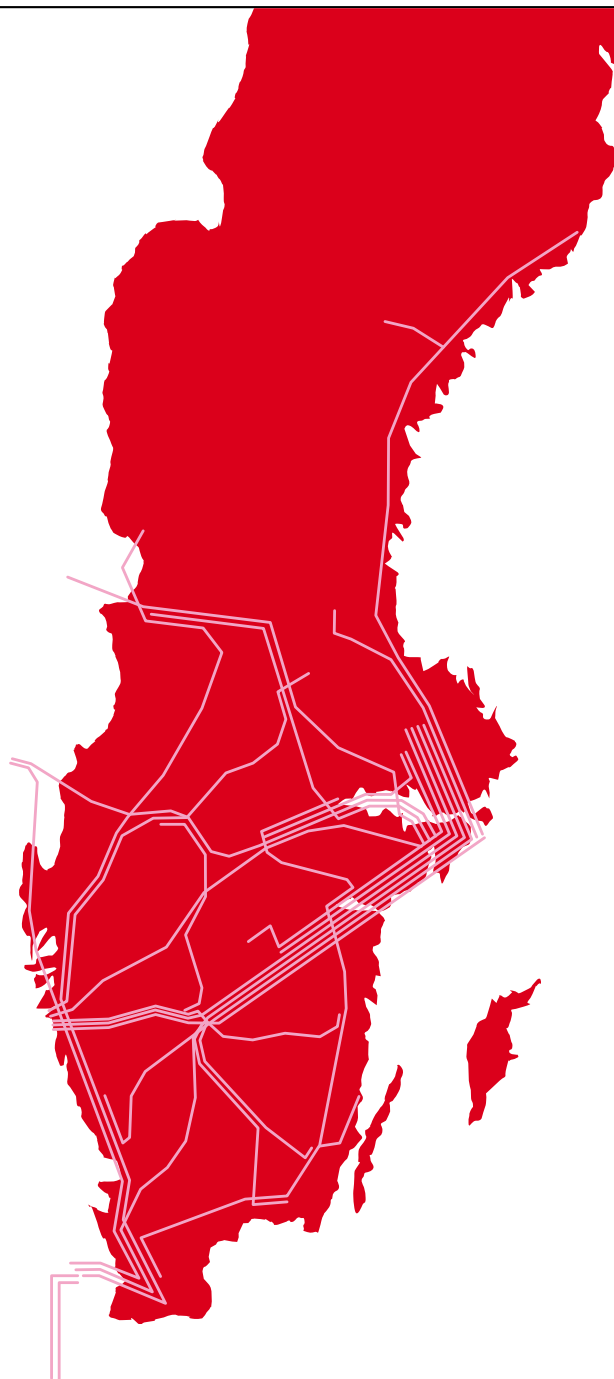
- MARKET LEADER
- BRAND RECOGNITION
- EMPLOYEES
- ONLINE SERVICES
- PRODUCT OFFERING
- SYSTEM SUPPORT
- SERVICE THAT BEAR THE GOOD ENVIRONMENTAL CHOICE LABEL

### **10,000 DEPARTURES PER WEEK AND MORE THAN TWO MILLION TRIPS PER YEAR**

- Service to more than 150 destination in Sweden, as well as such destinations as Oslo and Copenhagen.
- Provides services in Norrland in cooperation with Y-buss.
- Partnership with Eurolines that takes our customers to destinations in Europe.

Besides the ordinary express bus network, Swebus' own routes link up with connecting traffic, which is of great benefit to passengers because it enables them to buy their ticket for the entire journey with a single purchase. Swebus' trips are also included in Resplus, which combines many of Sweden's public transport services in a single ticket.

Swebus is the market leader in express bus traffic in Sweden, with around two million trips each year to over 150 destinations in Sweden, Norway, Denmark and Germany. The second largest player in this market is the Norwegian company, Nettbuss Express, with around one-fifth of the market through its two brands, Bus4you and Gobybus. Third is Ybuss, a traffic company from the Norrland region, with around seven percent of the market. The remaining portion is allocated among a number of small players.



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## WE STRIVE TO MAKE MORE PEOPLE WANT TO TRAVEL WITH US

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WHEN PUBLIC TRANSPORT WORKS AND MORE PEOPLE DECIDE TO USE IT, EVERYBODY WINS:

- Housing areas become more attractive
- People are more willing to change employer or school
- Companies and offices can get established more easily
- Municipalities and counties increase in popularity
- The geographic and social balance improves
- It's good for the environment
- There is less personal injury
- Wear and tear on the infrastructure is reduced
- It promotes growth

*EVERY DAY, NOBINA WORKS AS RESPONSIBLY AS POSSIBLE WITH THESE ITEMS AS ITS POINT OF DEPARTURE. OUR SUCCESS PROMOTES A SUSTAINABLE SOCIETY.*

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## NOBINA'S IMPACT AND RESPONSIBILITY

Nobina's vision is for everyone to want to travel with us. That is why we strive each day to simplify daily travel by offering public transport bus services that increases mobility in society. This is how we make our main contribution to a sustainable society.

As the market leader for public transport by bus in the Nordic region, Nobina impacts society in a number of ways. Since we run operations that are, to a large extent, publicly financed, it is obvious to us that we must take responsibility. We are a company that operates according to a set of values. We regard our business from three viewpoints: people, the environment and the economy. The scope of our perspective ranges from the family budget, the PTA's resources and climate issues, to responsibility for safety, employees and passengers.



## DIALOGUE WITH OUR STAKEHOLDERS

We take responsibility for our business in a variety of ways. We work in a structured, systematic manner on the areas where we have the greatest impact. We have identified our most important sustainability issues by studying and analysing our own work, as well as through dialogue with our stakeholders.

Nobina has a CSR advisory board (more information is provided on page 48), which has concluded that PTAs are our most important stakeholder group. They take an active role in imposing requirements on us and our operations, both in tendering processes and

in daily operations. They specify a number of sustainability requirements for our deliveries and, more and more, they are requiring sustainability reports as part of the tender.

Of course, other stakeholders, such as customers, employees, politicians and suppliers, also impact our behaviour by stating their own requirements and preferences. Although our owner's main focus is on profitability, there is a clear understanding that profitability and performance go hand in hand. A summary of Nobina's dialogues with its stakeholders is provided below:

Stakeholder	Dialogue venue	Important issues	
Public Transport Authorities	<ul style="list-style-type: none"> <li>• Industry associations</li> <li>• Business Development Manager in meetings with PTAs</li> <li>• PTA survey</li> <li>• Daily operations</li> </ul>	<ul style="list-style-type: none"> <li>• Good cooperation with unions</li> <li>• Fair terms of employment</li> <li>• Transparency – values</li> <li>• Member of industry associations</li> <li>• Good leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Emission levels (NO<sub>x</sub>, particles)</li> <li>• Certifications</li> <li>• Requirements on the type of fuel</li> <li>• Noise level requirements</li> <li>• Environmental requirements on chemicals</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Passenger surveys</li> <li>• Focus groups</li> <li>• Social media</li> </ul>	<ul style="list-style-type: none"> <li>• Punctuality</li> <li>• Value for money</li> <li>• Treatment</li> <li>• Simplicity</li> <li>• Way of driving</li> </ul>	
Employees	<ul style="list-style-type: none"> <li>• Performance appraisals</li> <li>• Employee surveys</li> <li>• Improvement groups</li> <li>• Training</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to influence work situation</li> <li>• Well-being</li> <li>• Sick leave</li> </ul>	
Politicians	<ul style="list-style-type: none"> <li>• Industry associations</li> <li>• Meetings with politicians</li> </ul>	<ul style="list-style-type: none"> <li>• Regional growth</li> <li>• Infrastructure in society</li> <li>• Resource-efficient transports</li> <li>• Environmental requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Benefits to society from public transport</li> <li>• Design of the contract</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Tenderings</li> <li>• Follow-ups</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental requirements</li> </ul>	
Owner	<ul style="list-style-type: none"> <li>• Board meetings</li> <li>• AGM</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Resource efficiency</li> <li>• Market development</li> </ul>	

## IMPORTANT SUSTAINABILITY ISSUES – AND HOW WE APPROACH THEM

As part of our efforts to structure and communicate sustainability work, Nobina's CSR advisory board and the process teams held a number of meetings during 2011 and 2012. The process teams have documented their most important stakeholders and sustainability issues, what they are already doing in their existing activities and how the issues should be dealt with by the teams going forward. Read more about Nobina's seven process teams and the work that they do on page 51.

The way we take responsibility and our opportunities to make an impact, i.e. our most important sustainability issues, can be regarded on two levels. The first is associated with our most important contribution to sustainability, i.e. that a growing number of people should be able to use the public transport services that we provide. The second is that we should have the best possible conditions for running the business with consideration for the economy, the environment and people:

### • LONG-TERM IMPACT ON CONTRACT TERMS

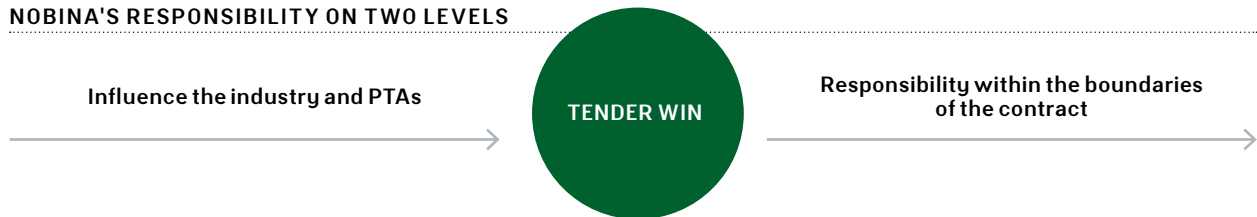
Based on our experience from existing assignments, we strive to impact the design of future contracts. We have discussions with PTAs during the period when they are planning tenders and designing the specifications. Through dialogue with both politicians and PTAs, we also strive to improve the terms and conditions of contracts.

In cooperation with Linköping University, we allowed researchers to study our own operations and the environmental effects of alternative tendering models. Read more about the results below.

Trying to change the design of contracts is particularly important to us because it determines the extent to which we are able to develop competitive products and, during operations, pursue our other prioritized sustainability issues in our own business:

- RESOURCE USE AND LOWER EMISSIONS
- SAFETY AND WORK ENVIRONMENT
- ATTRACTIVE EMPLOYER

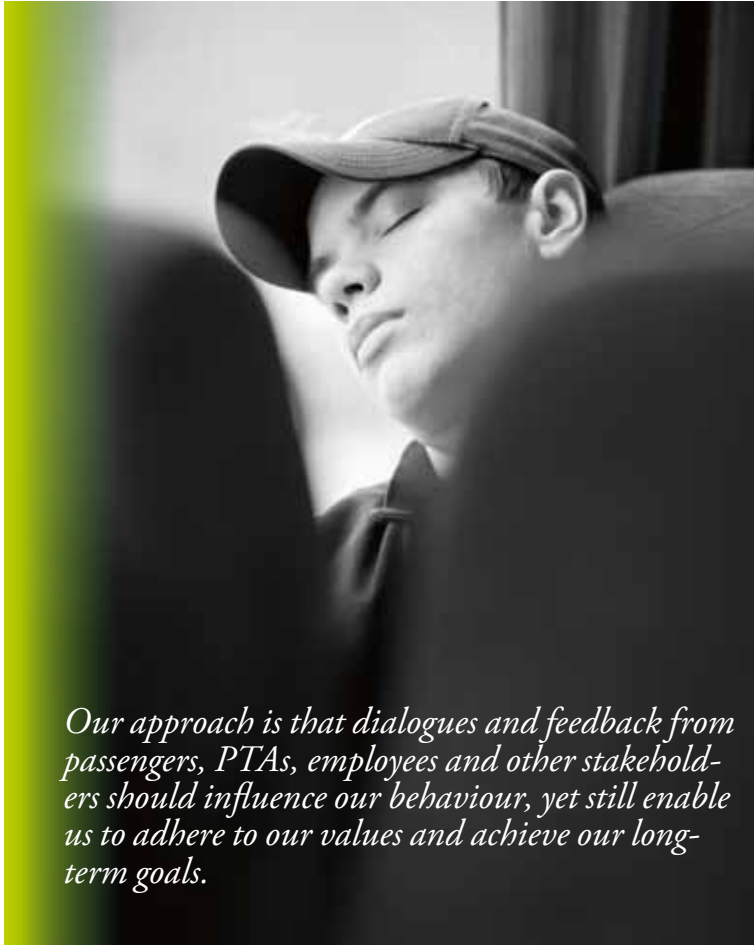
### NOBINA'S RESPONSIBILITY ON TWO LEVELS



### Risks and opportunities related to sustainability

As the interest in, and requirements on, running a sustainable business increases, Nobina also obtains more growth opportunities in conjunction with more people deciding to use public transport. At the same time, every opportunity involves a risk, e.g. not being able to meet the requirements stated in the tender and thus not being able to provide the desired services. Many tenders are requiring operators to take more responsibility for quality. Some contracts also have a higher share of incentive-based income, sometimes up to 100 percent on specified routes. This provides great opportunities for operators to obtain a clear link between performance and compensation. However, if the terms of the contract are not fulfilled, fines are typically levied, which reduces the compensation for performance of the traffic assignment. For Nobina, this primarily has to do with the ability to adjust working methods, as well as develop the right expertise and relationships.





*Our approach is that dialogues and feedback from passengers, PTAs, employees and other stakeholders should influence our behaviour, yet still enable us to adhere to our values and achieve our long-term goals.*

### NOBINA IS A MEMBER OF THE FOLLOWING INDUSTRY ASSOCIATIONS:

- The Swedish Bus and Coach Employers Association (BUA)
- The Swedish Bus and Coach Federation (BR)
- The Confederation of Swedish Enterprise (Svenskt Näringsliv)
- X2AB
- The Stockholm Chamber of Commerce
- The Finnish Bus and Coach Association (LAL)
- The Finnish Employers' Federation of Road Transport (ALT)
- Danish Industry NHO Transport
- Forhandlingsutvalget (a Norwegian negotiations association)
- Norwegian Industrial Policy Committee
- NHO Transport

## WITH A HIGHER DEGREE OF FREEDOM, YOU GET MORE PUBLIC TRANSPORT FOR THE MONEY

At Traffic Forum 2013, researchers from Linköping University presented a study that was conducted on behalf of Nobina, to evaluate the environmental effects of tendering models that allow the operator to plan resource use such that it is aligned with the actual needs. The study was based on Nobina's bus operations in Skaraborg and Kallhäll, outside Stockholm. The results show that it is possible to reduce emissions by almost half when the traffic company is given the freedom to use smaller vehicles, or use a

combination of vehicle sizes. It also improves the planning conditions for services provided on different routes. With less micromanagement, it is also possible to get more public transport for the money. When traffic companies are allowed to make the right vehicle choices, based on their own experience and adapted to demand, the benefits to society increase. However, this requires giving them a higher degree of freedom than what is currently allowed in current public tendering of bus services.

## GOVERNANCE FOR SUSTAINABLE OPERATIONS

*As a company that operates according to a set of values, the “Green Guiding Light” is the point of departure for governance. It summarizes our values and role in society.*

### STRATEGIC BUSINESS MANAGEMENT

“The Green Guiding Light” was launched at our leadership conference in the autumn of 2010, and afterwards, it was implemented throughout the organization. Today, it is used when recruiting, for introductions and as an evaluation instrument. It is discussed during our annual employee performance appraisals and it is included in employee surveys, where employees assess the extent to which our actions correspond with the “Green Guiding Light” concept.

We have set our business goals with this concept as our point of departure. Once per year, the Group’s strategies are discussed and communicated at the European Work Council. Employee representatives participate in this activity. Short-term goals are set once per year and adapted to align them with the long-term goals of the Group. Subsidiaries and traffic areas then incorporate the goals into their own business plans and run their businesses in accordance with them. The goals are followed up in monthly performance meetings at the Group, company and traffic area levels. The CEO is also a member of each subsidiary’s Board of Directors, which helps ensure that there is a good flow of information throughout the Group.

In 2010, Nobina set up a CSR advisory board to monitor sustainability issues globally and set an agenda for our own efforts. The CSR advisory board consists of the CEO, Head of Management and the Environmental Managers of the Swedish company. One outcome of the CSR advisory board’s efforts was that in 2012, Nobina developed the structure for the business plan with business intelligence and a stakeholder model in order to capture the three dimensions of sustainability: people, the environment and the economy.

Our seven main process teams at Nobina are responsible for developing Group-wide working methods. This effort is led by process owners, who have been appointed by the Group management team and are followed up quarterly in Process Performance Reviews. Read more about our efforts to continually improve the business on the next page. More information about governance is also provided in the Corporate Governance Statement on pages 58–62.

Number of ISO-certified traffic areas in the Group	Total number of traffic areas	
	12/13	11/12
Sweden	8	7
Denmark	0	0
Norway	7	5
Finland	3	3

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

Nobina also has an environmental council comprised of the environmental managers of the company. The environmental council meets once or twice per year and is responsible for formulating, communicating and gaining support for the environmental goals and working methods so that they reflect the ambitions in that area. The environmental work carried out in the organization is evaluated in regular in-house checks and internal audits.

At each traffic area, there is a safety organization with several safety representatives, such as the safety representative for buildings and the safety representative for vehicles. Safety representatives periodically carry out both general and specific safety inspections. They are also called in to conduct own investigations whenever there is an accident or incident.

There is a head safety representative who is the spokesperson and is also responsible for coordinating this work. In addition, the head safety representative is responsible for initiating and participating in risk analyses of the work environment, as well as participating in the safety days that are held each year.

The local safety organizations remain in close contact with Nobina’s central health and safety organization.

As a company that operates according to a set of values, Nobina set up an external employee-ombudsman channel (MOM) during the year that serves as whistle-blower protection. It provides employees with a safe channel for bringing any issues to light about inappropriate activities or situations regarding such things as safety, the environment, work environment, financial matters or leadership. The first step that employees can take at Nobina Sweden and Swebus is to seek out one of their employee representatives. During the current year, the plan is to set this up at the other companies in the Nordic region as well.

### GOVERNANCE IN PRACTICE

In Norway and Finland, Nobina has held ISO 9001 quality certification and ISO 14001 environmental certification for several years. Since 2009, efforts have been underway in Sweden to obtain ISO certification for all traffic areas. At the end of the 2012/2013 financial year, the head office, all traffic areas in Stockholm and four traffic areas in the country had become ISO-certified. Denmark is planning to obtain environmental certification for its operations in accordance with ISO 14001 during 2013. The goal is, of course, to certify all operations within the Group.

### FOLLOW UP

The results of sustainability efforts are measured in a brand survey, which we conducted for the first time in 2011. Our aim is to carry out the survey every three years. It is based on an overall evaluation of the following:

- Customer satisfaction based on passenger surveys
- Employee motivation based on employee surveys
- PTA satisfaction based on in-depth interviews with them

## NOBINA'S IMPROVEMENT INITIATIVES

**Process teams develop work instructions for the entire Group**  
Process teams are development groups that consist of employees from various parts of the organization. They develop the Group-wide working methods.

*Seven main process teams: Leadership process, Product development, Marketing & Sales (incl. three sub-process teams), Delivery of Passenger Travel (incl. three sub-process teams), Goods & Services, Employee process and IT process.*

<b>Frequency of meetings:</b>	Each team meets 4 times per year.
<b>Goals:</b>	Continually improve the working methods of the Group. Better performance of the companies.
<b>Follow up:</b>	4 times per year by the Group management team. The application of instructions is followed up when each company conducts its audit and this is reported back to local management and Group management.

### **Auditors evaluate the outcome of the instructions**

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

*Five main auditors and 12 deputy auditors in Sweden. In Norway, Finland and Denmark, the audits are conducted by the quality manager.*

<b>Frequency of audits:</b>	Once per year for each traffic area.
<b>Goals:</b>	Continually improve operations.
<b>Follow up:</b>	The quality council and the environmental council, locally and centrally.

### **Improvement groups carry out local development projects**

At Nobina, each employee should be able to participate in the organization's development. This is because the company's own employees are the ones who are best at deciding which measures are required to improve operations. Local improvement efforts also means that our managers should develop in their roles. Accordingly, the aim is for each manager to lead at least one improvement group with his or her staff represented.

*At the end of the 2012/2013 financial year, improvement efforts were being carried out at 11 traffic areas in the Group. During 2013, Denmark will also set up its own improvement groups.*

<b>Frequency of meetings:</b>	Each group meets for one hour every other week. A coach participates in every other meeting.
<b>Goals:</b>	High participation in the traffic area. Better financial performance.
<b>Follow up:</b>	The quality council and the environmental council, locally and centrally.

### **Improvement coaches assist managers and groups with their improvement efforts.**

Nobina has head coaches who are appointed centrally and are responsible for setting up each traffic area's improvement efforts together with the traffic manager. These coaches help the effort progress by supporting management, participating in the group's meetings and following up on performance biannually. There are also coaches who are appointed by each traffic area. They take over the coaching activities from the head coaches after a start-up period. However, the head coach remains ultimately responsible for the traffic area.

*At the end of the 2012/2013 financial year, there were ten certified coaches: seven in Sweden, two in Norway and one in Finland. The company plans to train its first coaches in Denmark over the coming year.*

<b>Frequency of meetings:</b>	The improvement coaches attend every other meeting for the six-month period required to establish sustainable improvement efforts.
<b>Goals:</b>	Improvement efforts are stable and lead to results.
<b>Follow up:</b>	The Group's head coach forum, once per year. The improvement coaches conduct performance follow-up seminars biannually for their traffic area.



### **NOBINA'S GROUP-WIDE POLICIES:**

- Communications policy
- Environmental policy
- Safety policy
- IT policy
- Employee policy
- Finance policy
- Purchasing policy

## ENVIRONMENT: RESOURCE USE AND LOWER EMISSIONS

*Nobina is the largest bus company in the Nordic region, with approximately 3,500 buses, which, each day, drive a distance corresponding to 15 trips around our planet. This means that every kilometre or minute that a bus drives without passengers is detrimental to both the economy and the environment. Therefore, it is obvious to us that we must prioritize environmental efforts, ideally in close cooperation with the PTA.*

The environmental aspect must be incorporated into everything from the daily work carried out by each employee, to performance appraisals and skill documentation. One important aspect is using resources in our operations as efficiently as possible in order to increase competitiveness and reduce the environmental impact. We also continually work to raise environmental expertise within the Group. The work encompasses everything from driver training focused on economical driving (such as driving empty buses and idling), to special training for workshops and traffic management focused on energy use, water, cleaning agents and chemicals used when servicing buses. During the last financial year, practical environmental training programmes were held, along with a number of environmental coordination meetings to exchange experiences on such things as method development and monitoring emissions.

Because of the nature of Nobina's business, particle emissions, carbon emissions and fuel consumption are prioritized environmental issues. Nobina Sweden also has a short-term goal of reducing carbon emissions by 25 percent compared to the levels in 2007. For the 2012/2013 financial year, we reached 24.8 percent, or 0.832 kg CO<sub>2</sub>/km, which was just short of our goal, due to higher fuel consumption during the winter.

During the year, we also introduced standard requirements on environmental issues to our supplier agreements. We also participated in the effort to create an industry-wide environmental programme and tendering guidelines for environmental issues.

Nobina has – to a great extent and in cooperation with the PTAs – identified the most important environmental issues and goals to work with, that directly lower greenhouse gas emissions:

### 1. MORE BUS PASSENGERS:

If we increase the number of bus passengers, we reduce the number of cars on the roads.

### 2. SMART TRAFFIC PLANNING AND PRODUCTION:

The better we plan traffic, streamline production and avoid running empty buses, the more value we provide to customers and society.

### 3. LOWER FUEL CONSUMPTION:

Through active resource management, like The Green Journey, we promote conservative driving and thereby lower fuel consumption.

### 4. RENEWABLE FUEL:

With less fossil energy per passenger kilometre, i.e. a higher percentage of vehicles run on biofuel or electricity, greenhouse gas emissions become lower.

### 1. MORE BUS PASSENGERS:

Our business is built upon this concept: the more people who travel with us, the better it is for the environment, the economy and society. We approach this from several directions. For example, revenue models that incorporate incentives enable us to impact the number of passengers. We also cooperate with the PTA and municipality within the scope of each individual traffic agreement. It has to do with creating as much value for customers as possible and lowering the thresholds so that people start using public transport bus services. Effective communication about all of this is also important. One good example from the last financial year was Nobina's cooperation with Skövde municipality and Västtrafik to increase the number of passengers using public transport bus services. More information is available on page 7.

Another example of how long-term marketing can affect bus occupancy is the Norrtälje contract started by Nobina in 2011, where remuneration for commuter routes is based on the number of boarding passengers.

### 2. SMART TRAFFIC PLANNING AND PRODUCTION

Most important of all, besides getting more people to choose buses as their mode of transportation, is to drive fully occupied buses. Smart traffic planning is therefore crucial to reducing emissions. Above all, it is necessary to optimize schedules in order to minimize idle time and driving empty buses. Another way to lower the environmental impact is by having the minimum possible distance between the bus parking lot and the first stop. Dialogue with PTAs on these issues is also necessary in order to avoid driving empty buses. In this regard, the location of depots is important, for example.

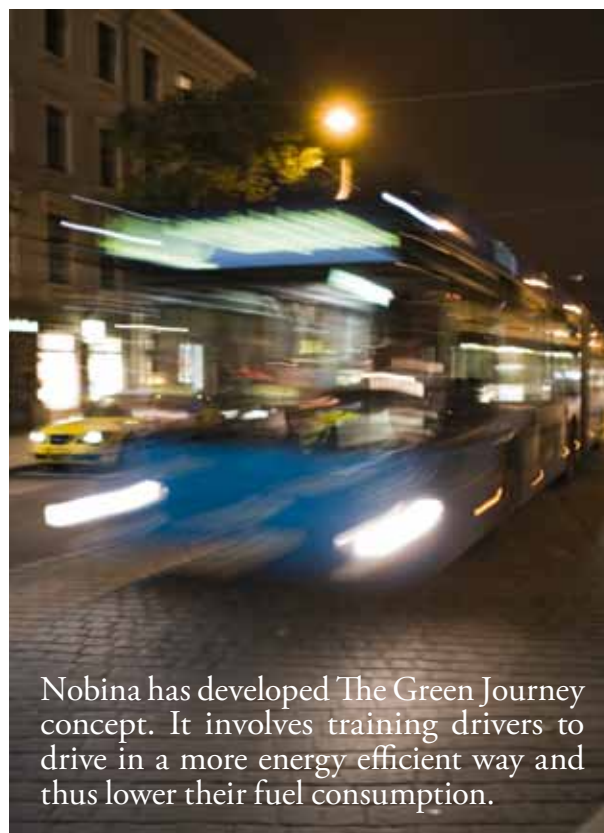
### PERCENTAGE EMPTY-SEAT BUSES



### 3. LOWER FUEL CONSUMPTION

There are both clear operational goals and financial incentives to limit fuel consumption in current contracts. Nobina has developed The Green Journey concept. It involves training drivers to drive in a more energy efficient way and thus lower their fuel consumption. There is measurement equipment on board each bus that monitors how successful each individual driver is in his or her efforts to drive conservatively by registering fuel consumption, acceleration, braking, etc. The traffic area's environmental coach then follows up with the drivers. Analyses reveal that fuel consumption decreases by 5–7 percent with this method. During the 2011/2012 financial year, Nobina invested almost SEK 4 million in The Green Journey. During the last year, The Green Journey has been integrated into Nobina's concept for IT based services in buses. Furthermore, approximately SEK 2 million was invested in measures that fall within the scope of this overall concept. In the future, separate information on The Green Journey will not be provided.

The Green Journey (TGJ)	2012/13
Invested in TGJ, SEK million	2
Buses with TGJ equipment, number	
– Sweden	196
– Finland	156



Nobina has developed The Green Journey concept. It involves training drivers to drive in a more energy efficient way and thus lower their fuel consumption.

### 4. RENEWABLE FUEL

In line with political targets, 40 percent of traffic is to be operated by buses that use renewable fuel in 2012, and the percentage should increase to 90 percent by 2020. To reach the targets, the traffic companies must quickly adapt their bus fleets and increase the share of buses that run on renewable fuel. In the tender documentation from PTAS, it is standard that fuel types and emission levels are specified. However, there is wide variation in the other requirements specified by PTAS.

Nobina has put more effort into its business intelligence activities and acquiring expertise on future fuels. It is also evaluating alternative fuel in various collaborative projects with manufacturers and PTAS. One example is Värmland, where the buses at Hammarö, outside Karlstad, run on biodiesel and with green technology installed in buses to help drivers adapt to an environmentally friendly way of driving. The new BECCS technology (Bio-Energy with Carbon Capture and Storage) also makes it possible to compensate for the carbon emissions for traffic. BECCS is a new method that utilizes the carbon dioxide previously captured from the atmosphere by plants and trees. When these are converted to renewable electricity or biofuels, the carbon dioxide is collected. It

is then compressed and pumped more than a thousand feet underground.

The electrification of traffic and buses that run on biogas are two popular 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. During the last year, we started operating electric buses to and from the Umeå airport. The electric buses are charged from Europe's most powerful charging station, which is located directly outside the arrivals hall. It quickly charges the bus for thirty minutes of operation in just ten minutes.

Emissions in relation to km driven	2012/13	2011/12
Fossil carbon dioxide (CO <sub>2</sub> ), kg/km	0.92	0.87
Nitrogen oxides (Nox), g/km	4.05	4.26
Hydrocarbons (HC), g/km	0.14	0.05
Particles (PM), g/km	0.02	0.02

Nobina started measuring in 2011/2012

## PEOPLE: COMMITTED EMPLOYEES MAKE A DIFFERENCE

*Nobina's business affects the daily lives of people via the company's role as employer. We know that bus travel of the future can only be created by committed employees who know that their contribution makes a difference.*

Nobina's goal is to be the industry's most attractive employer. We continually work with developing and motivating our employees such that they strive for continual improvement of our operations. For example, all employees have individual goals and participate in performance reviews once per year (in total 3,977). Feedback discussions are held each month (in total 40,185) and employees also participate in trainings to develop their skills. This is a prerequisite for profitability and our overall success.

### LEADERSHIP IS KEY

Leadership issues have been prioritized for several years, which has significantly improved managers' interaction with drivers. In general, follow-up, feedback and performance reviews function well throughout the Group. In Finland, for example, the organization has worked with soft indicators, which has improved key financial figures. The organization has also set up improvement groups according to the Group-wide model and this has also made a positive impact. The results can be measured in, for instance, fewer damages, reduced fuel consumption and lower absence due to illness. During the last financial year, Nobina created a new employee survey, Pulsen. Starting in March 2013, employees will be asked to answer four questions each quarter, i.e. 16 questions per year. The aim is to measure employees' commitment and promote improvement efforts by having the local organizations select one issue to work with each quarter (after each survey).

### TRAINING FOR CONTINUAL IMPROVEMENT

The most important training takes place on a daily basis. However, Nobina is also a pioneer among traffic companies in offering systematic training, follow-up and feedback to all employees. Last year, we made changes to our internal training organization, Nobina Academy, such that, starting with the 2013/2014 financial year, all training will be offered through the Academy. We have organized training in three categories:

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

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

**3. Role-specific training:** This includes training for safety representatives, courses on environmental topics, the work environment, business acumen, etc.

### ATTRACTIVE EMPLOYER

Besides recruiting new employees, one of the biggest challenges is retaining valuable employees when contracts are taken over. It is common for the existing staff to move over to the new traffic company at the start of a new contract. Nobina tries to identify systematic solutions that will help it retain leadership talent. One example is rotating work duties between traffic assignments. For drivers, we try to create flexible schedules that take individual needs and preferences into consideration, since this is important to our drivers. For this reason, we set up a scheduling scheme during the year whereby we schedule for longer periods of time, which improves predictability for our employees. Nobina has also centralized staff planning so that it can become better at optimizing personnel resources and also provide more standardized service to the traffic areas.

It is important that Nobina is perceived as an attractive employer, particularly when recruiting new bus drivers and other staff, as well as in tenderings. In Norway, for example, recruitment is still a challenge. Unemployment is low and the bus driver profession needs to become more attractive. In Sweden, it is estimated that around 3,000 new bus drivers will be needed during the next two years. We must all strive to make the bus driver profession more attractive, particularly among youth. We hope that the age limit for obtaining a bus driver license will be lowered to 18 in Norway, which is now the case in Sweden. Another way of reaching young employees is to offer extra training and work during evenings and weekends. During the last financial year, we initiated collaboration in Sweden with the public employment service, Arbetsförmedlingen. Women who are training to become bus drivers are paid throughout the entire training and the ones who complete the training goals are guaranteed employment at the level of at least 80 percent (of full-time hours).

#### ADVANTAGES OF THE BUS DRIVER PROFESSION:

##### 1) Why become a bus driver?

Secure employment, flexible hours, good salary, benefit to society and responsibility.

##### 2) Why work for Nobina?

We live according to our values (Green Guiding Light). We do as we say.

## RESPONSIBLE BUSINESS

### FUTURE FOCUS

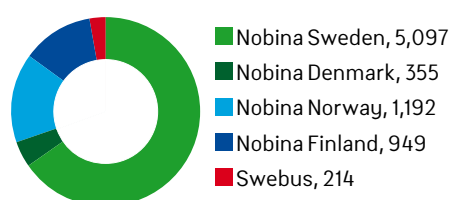
Nobina continues to work on improving its reputation as employer in various ways. The new Nobina Academy will soon be launched, along with our employee survey, Pulsen.

During the 2013/2014 financial year, we will also focus on diversity issues and lowering absenteeism via a number of activities.

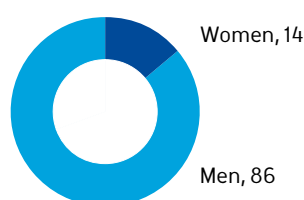
The Group, %	2012/13	2011/12	2010/11
Short-term absence due to illness	1.23	1.10	1.28
Long-term healthy	32.80	35.78	35.46
Staff turnover	5.99	6.07	7.14

Sick leave has been a challenge in the Norwegian organization in particular. When traffic contracts are won or lost, it can have a significant impact on staff turnover.

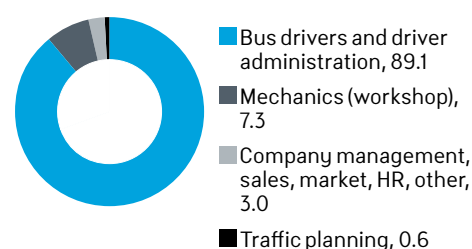
### NUMBER OF EMPLOYEES PER COMPANY



### EMPLOYEES, %



### EXPERTISE, %



## PEOPLE: SAFETY AND WORK ENVIRONMENT

*Nobina prioritizes safety above all. Safety is fundamental to all of Nobina's traffic operations and other activities.*

Nobina shall serve as a role model and this is also stated in our safety policy. We conduct safety work systematically and these efforts are integrated with the rest of operations. Our vision is zero injuries. We follow up on all traffic incidents, as well as any threats or violence against our customers or employees. We have developed a computer system for managing information and supporting our efforts to create a safe environment and work environment.

During the year, Nobina Sweden conduct 59 accident investigations and incident analyses aimed at identifying patterns in the root cause or technical problems. This helps us implement the right corrective measures for preventing similar accidents or incidents from happening again.

Two years ago, the safety departments of our four countries of operation started holding "safety days" at all traffic areas. The program is a way of supporting our methods and it is also an opportunity for examining how well safety procedures work. Unfortunately, accidents sometimes happen despite all of our efforts to prevent them. The same applies to vandalism.

Key figures	2012/13			2011/12	
Number of incidents	4,967			5,038	
Total cost of damages, SEK M	54.3			61.7	
Serious incidents	175			149	
	Fire	Threats & violence	Robbery	Environ-ment	Traffic accidents
2011/12	26	30	2	9	82
2012/13	27	55	1	2	90

### 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 follow a checklist for crisis situations. It is used whenever there is a serious incident. 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 a crisis or accident, and how internal and external communication are to be conducted. All Group companies and traffic areas participate in crisis exercises at least twice per year.

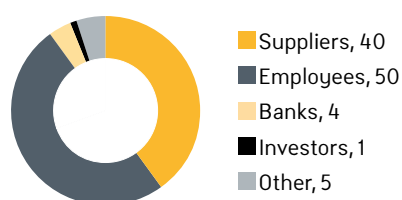
In areas where there is a higher safety risk, Nobina cooperates with the police and local authorities for early identification of risks and to prevent difficult situations from arising. In a threatening situation, we work together to ensure a rapid flow of information.

We are also involved locally in various social projects with youth living in vulnerable areas. These efforts are aimed at increasing safety and improving their relationship with public transport. The focus is on initiating and engaging in dialogues on the type of society we are trying to create, how we should interact with one another and how we can avoid violent situations. These efforts are usually carried out at schools. In Vänersborg, Nobina has obtained support from the organization called KRIS (Criminals Return to Society) to shore up night driving and thereby help prevent frightening situations for our customers and drivers.

## ECONOMY: CREATING AND DELIVERING ECONOMIC VALUE

Nobina measures its financial success through a number of long-term and short-term financial goals. These are reported on page 11. At the same time, our organization creates economic value for a variety of stakeholders. The information provided below shows the value that the Group generated and distributed during the last financial year. For more information about how we create economic value, please see pages 66–71 and 84.

### ALLOCATION OF REVENUE TO STAKEHOLDERS, %



	Stakeholder	2012/13	2011/12
<b>Generated value</b>			
Revenue – net sales	PTAs/ Customers	7,212	7,050
<b>Distributed value</b>			
Operating expenses	Suppliers	–3,360	–3,485
Salaries and remuneration to employees	Employees	–3,607	–3,528
Payments to financiers	Banks	–270	–275
Payments to the public sector – taxes	Government	–1	0
Retained economic value		59	–230

### AWARDS

- Sustainable Brands 2012: At the start of 2012, Swebus was named 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.
- Good Environmental Choice: All of the Swebus route network, including Swebus airport transfer, bears the label, Good Environmental Choice.

### ABOUT GRI REPORTING

Nobina's annual report and sustainability report for 2012/2013 (1 March 2012–28 February 2013) is the first time that we are reporting our sustainability efforts in accordance with GRI, G3. Global Reporting Initiative (GRI) is an international organization that has developed these guidelines. Nobina is reporting at the C level and it has not conducted an external review. Because this is the first time that we are reporting in accordance with GRI, our goal has been, as a first step, to design a structure and way of presenting Nobina's sustainability efforts. We also plan to have our sustain-

ability efforts externally audited as of the 2013/2014 financial year.

In autumn 2011, Nobina's Group management team decided to report sustainability efforts in accordance with GRI. Afterwards, we held internal workshops with the GRI group on Nobina's impact. We also carried out stakeholder analyses and identified our most important sustainability issues. Then – during 2011 and 2012 – we presented the first GRI indicators and now we are reporting the results of that effort. Going forward, we plan on preparing and publishing a sustainability report once per year in conjunction with the annual report. GRI reporting pertains to the entire Nobina Group, but the emphasis is nevertheless on the Swedish organization, since it is responsible for the largest share of sales.

Because this is the first time that we have prepared a GRI report, no comparison figures are provided for any of the performance indicators. Information on any calculation methods that were used is available at: [www.nobina.com](http://www.nobina.com).

For more information about Nobina's GRI reporting, please contact: Annika Kolmert, Head of Management System, [annika.kolmert@nobina.se](mailto:annika.kolmert@nobina.se)

STANDARD DISCLOSURE	PAGE REFERENCE	COMMENTS
1 Strategy and analysis		
1.1 Statement from the CEO about the relevance of sustainability to the organization and its strategies.	Pages 4–6	
2 Organizational profile		
2.1 Name of the organization	Pages 2, 62	
2.2 Primary brands, products and services	Pages 2, 62	
2.3 Operational structure of the organization	Pages 2, 62	
2.4 Location of the organization's headquarters	Back page, inside of the cover	
2.5 Countries where the organization operates	Pages 2, 62	

## RESPONSIBLE BUSINESS

STANDARD DISCLOSURE		PAGE REFERENCE	COMMENTS
2.6	Nature of ownership and legal form	Pages 58, 62	
2.7	Markets served	Pages 2, 62	
2.8	Scale of the reporting organization	Pages 2-3	
2.9	Significant changes during the reporting period regarding size, structure or ownership		None
2.10	Awards received in the reporting period	Page 56	
3	Report parameters		
3.1	Reporting period	Page 56	
3.2	Date of most recent previous report	Page 56	
3.3	Reporting cycle	Page 56	
3.4	Contact points for questions regarding the report	Page 56	
3.5	Process for defining reporting content	Pages 47-48, 56	
3.6	Boundary of the report	Page 56	
3.7	Any specific limitations on the scope or boundary of the report	Page 56	
3.8	Basis for reporting on joint ventures, subsidiaries, or other entities that can significantly affect comparability from period to period and/or between organizations	Pages 80-81	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	–	None
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	–	None
3.12	Table of contents in accordance with GRI	Pages 56-57	
4	Governance, commitments and engagement		
4.1	Governance structure	Pages 50-51, 58-59	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Page 64	
4.3	The number of members of the highest governance body that are independent and/or non-executive members	Pages 55, 64-65	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board of Directors and company management	Pages 47, 58	
4.14	The organization's stakeholders	Page 47	
4.15	Basis for identification and selection of stakeholders	Pages 47-48	
PERFORMANCE INDICATORS		PAGE REFERENCE	COMMENTS
<b>Economic performance</b>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Page 56	
<b>Environmental performance</b>			
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Pages 52-53	
EN16	Total direct and indirect greenhouse gas emissions by weight	Page 53	
EN20	NO <sub>x</sub> , SO <sub>2</sub> , and other significant air emissions by type and weight	Page 53	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Pages 52-53	Partially reported.
EN30	Total environmental protection expenditures and investments by type	Page 53	Partially reported.
<b>Social performance</b>			
LA1	Total workforce by employment type, employment contract, and region	Page 55	
LA2	Total number and rate of employee turnover by age group, gender, and region	Page 55	
LA4	Percentage of employees covered by collective bargaining agreements	–	100%
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	58-59	Partially reported.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Pages 50, 58-59	Partially reported.
LA10	Average hours of training per year per employee by employee category.	Page 58	Partially reported.
LA12	Percentage of employees receiving regular performance and career development reviews	Page 58	Partially reported.

# 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 2012/2013 fiscal year includes the Board's report on internal controls for financial reporting. Nobina is not required to prepare a Corporate Governance Statement in accordance with the Swedish Annual Accounts act. 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](http://www.nobina.com).

## 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 2012

At the Annual General Meeting on 15 May 2012, 14.7 % 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, Richard Cazenove, Gunnar Reitan and Jan Sjöqvist, were reelected as Board members, and Jan Sjöqvist was also 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 2011/2012 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 profit for the year in the amount of SEK 157,535, disposable earnings from previous years totalling SEK 1,471,037,685 and the share premium reserve of SEK 611,848,790 would be disposed of such that SEK 2,083,044,010 is carried forward. The meeting resolved that no dividend would be paid for the preceding fiscal year.

It was further resolved that the Board would have the authority to decide on the issuance of new shares against payment in cash, by set-

off or in some other way with specified conditions. It was resolved that the authority to make such a decision would remain in place no longer than until the next AGM and that the Board could make such a decision on one or more occasions, and with or without preferential rights for shareholders.

Guidelines for the remuneration of senior executives and the appointment of the Nomination Committee were approved. The AGM 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 24 October 2012. The EGM reached a decision to amend Section 4 of the articles of association so that it would be possible to reduce the Company's share capital; reduce the Company's share capital by a maximum amount of SEK 216,874,809.30; and stipulate that share capital must be at least SEK 100,000,000 and at most SEK 400,000,000. Furthermore, the EGM reached a decision to amend Section 5 of the articles of association such that the minimum number of shares allowed is 250,000,000 and the maximum is 1,000,000,000. It was further decided that the Company's share capital would be increased by a maximum of SEK 180,203,414.40 via a new share issue of at the most 600,678,048 new shares with subscription rights for holders of the Company's bond loans, that the Company's share capital would be increased by a maximum of SEK 2,101,529.40 by issuing a maximum of 7,005,098 new shares and to increase the Company's share capital by SEK 37,956,677.10 via a bonus issue.

## ANNUAL GENERAL MEETING 2013

The date of the 2013 AGM is 30 May 2013. See page 109. Information on time and place, how registration of participation shall take place and how shareholders can submit a matter for consideration at the AGM is provided in the meeting notification in the customary manner. Information is also available on the company's website.

## NOMINATION COMMITTEE

The Nomination Committee shall prepare and submit proposals to the Annual General Meeting for the following items: 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.

## CORPORATE GOVERNANCE

### *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. 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 shareholder statistics provided by Euroclear Sweden AB as of the last banking day in October 2012. 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, based on 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. This is the reason why a nomination committee does not currently exist.

### **The Board's work during the year – the Board met 14 times during the financial year:**

Date	Type	Matters considered
6 March	Ordinary	Operations, budget, refinancing
26 March	Extra by telephone	Long-term plan, refinancing
30 March	Extra by telephone	Refinancing
26 April	Ordinary	Operations, annual report, refinancing
13 June	Extra by telephone	Refinancing
19 June	Extra by telephone	Refinancing
26 June	Ordinary	Operations, refinancing, constitution, formal procedures
9 July	Extra by telephone	Refinancing
16 July	Extra by telephone	Refinancing
18 July	Extra by telephone	Refinancing
20 July	Extra by telephone	Refinancing
24 September	Ordinary	Operations, refinancing, business plan, Swebus, Norway
25 October	Extra by telephone	Refinancing
20 December	Ordinary	Operations, business plan, tendering, bus financing, long-term plan

### **Board members' attendance in 2012/2013:**

Name	Born	Elected	Board meeting	AGM
Jan Sjöqvist, Chairman	1948	2005	14 of 14	Yes
Rolf Lydahl, member	1945	2005	13 of 14	No
Birgitta Kantola, member	1948	2009	13 of 14	No
Gunnar Reitan, member	1954	2012	12 of 14	No
Richard Cazenove, member	1974	2012	10 of 14	No

### **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 2012/2013 fiscal year, the Board comprised five members, all of whom were re-elected at the AGM: Birgitta Kantola, Rolf Lydahl, Richard Cazenove, Gunnar Reitan and Jan Sjöqvist, who was also reelected as Chairman. The Board met 14 times during the fiscal year. For more information about the Board in its entirety, see page 64.

#### *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 they apply to the Board members. Directives for the President and for financial reporting are described in appendices to the formal work procedures. The prevailing formal work procedures were adopted on 5 July 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 receives no Board fees. Board fees paid during the year totalled SEK 2.5 (1.2) million.

During the year, Nobina AB paid pension remuneration to certain former Board members of Nobina Europe AB amounting to SEK 0.1 (0.1) million. 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

## CORPORATE GOVERNANCE

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 2,567,258 shares in the company.

Since 1 December 2011, Nobina’s Group management team consists of the CEO, CFO, two business area managers and the Director of Human Resources. Group management normally meets once per week and works in line with all of the company’s 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 endeavours 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 senior executives 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 responsibilities 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 compensation equal to a maximum of 140 % of the President’s fixed annual salary, to be paid out over three years. Share-based compensation shall be conditional upon the AGM making the required decisions for delivery of shares according to established procedure on share-based compensation.

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 of remuneration is payable should employment

be terminated by the company. Senior executives comprise the Parent Company’s President, CFO, Director of Human Resources and the presidents of subsidiaries.

### Pension and terms for the President

The retirement age for the president is 62 years in the Parent Company. Pension payments for the company are reduced to 90 % of salary when retirement takes place at the age of 62–63, 80 % of salary when retirement takes place at the age of 63–64 and 70 % of salary when retirement takes place at the age of 64–65. Nobina’s commitment to the President ends at retirement, at the age of 65. Pension expenses comprise defined-contribution pensions, for which the premium is equal to 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. Consideration for the redemption of warrants issued in 2005 was comprised of a cash payment, in accordance with an independent market valuation of the company’s ordinary shares. Consideration for the redemption of the warrants issued in 2009 was comprised of a cash payment in accordance with the face 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. Currently, there are no employee share-option programmes in place. Certain Board members, senior executives and employees on shares in the Company.

### 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 has served as the company’s auditor since 2005. The person in charge of the audit is Authorized Public Accountant Erik Åström, Ernst & Young AB. Erik Åström is a member of FAR (the Swedish accountants’ professional organization).

The external auditors’ are responsible for auditing the company’s annual report, consolidated accounts and financial records, as well as the administration of the Board and President. Ernst & Young regularly report to the Group management team and local management teams. Ernst & Young is commissioned only for consulting services that have been decided and approved in advance 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

## CORPORATE GOVERNANCE

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 International Financial Reporting Standards (IFRS) and the Swedish Annual Accounts Act (ÅRL),
- performance reporting is informative and sufficiently detailed,
- it 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, as well as suggestions on how to develop and improve the process. Business leaders are responsible for implementation, 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 preferential treatment 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. Process experts are engaged to conduct 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/likelihood 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.

The 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 address 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 authorizing 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 govern 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 is exercised through established policies and instructions that have all been developed by Group-wide process teams. The teams also decide on important control points to ensure correctness in financial reporting.

Decision channels, authorities and responsibilities at various levels of the organizations are defined in accordance with current policies and instructions, which include an authorization manual. No special IT controls are performed, and no outside parties have been involved.

### *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 Group-wide 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. Written communication is primarily made available via intranet. This is where all news updates are published, along with information about the management system, Group policy documents and instructions.

### *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 organization itself is responsible for ensuring that the procedure works 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

Ordinary shares in Nobina total 632,611,285 each with a quotient value of SEK 0.35. Share capital thus amounts to SEK 227,740,062. Share capital changed during the financial year due to a new share issue and bond issue. Share capital must equal at least SEK 100,000,000 and at most 400,000,000. The number of shares in the company must be at least 250,000,000 and at most 1,000,000,000. The company's shares must be registered in a CSD 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 98 %. The largest holders of Nobina ordinary shares are funds managed by Bluebay Asset Management, Sothic Capital, Invesco and AvenueCapital. Nobina's shares are registered with Euroclear and most of the approximately 50 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

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*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 2012-03-01–2013-02-28 presented on pages 58-62. As stated in the Corporate Governance Statement, this report has been prepared voluntarily.

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 report and the consolidated financial statements.

Stockholm, 29 April 2013

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. from Gothenburg School of Business, Economics and Law.

Shareholding: 1,659,583 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 and Skandinaviska Enskilda Banken AB, Stockholm.

Previous assignments: Vice President and CFO of International Finance Corporation (World Bank Group), Washington D.C. 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 Laws, University of Helsinki.

Shareholding: –



### ROLF LYDAHL

Board member since 2005.

Year of birth: 1945

Other assignments: Chairman of the Board of Indecap AB, Jernhusen AB and Atlas-muren Fastighetsförvaltning AB. Board member of Vasakronan AB.

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

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

Education: MSc. from Stockholm School of Economics.

Shareholding: 373,135 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: Chairman of the Board 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: President and CEO 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. Member of K2 (national research center for public transport). 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: 2,567,258 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: Chairman of the Board of Transportgruppen 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: 660,146 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 and MD at 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 Head of Purchasing, ONOFF AB.

Education: Business Administration graduate, IHM Business School.

Shareholding: 211,602 shares



### PER SKÄRGÅRD

Title: CFO of 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 Prippts Bryggerier. Economic Planner at Länsförsäkringsbolagen.

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

Shareholding: 907,574 shares

# 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 2012 to 28 February 2013. 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 28 February 2013 and is referred to as 2012/2013.

## OWNERSHIP STRUCTURE

The company is a public limited company (Corporate Registration Number 556576-4569, domiciled in Stockholm), owned by about 50 shareholders and is the overall Parent Company in the Nobina Group.

## 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 is comprised of 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. In some cases, the operating companies have subsidiaries for parts of their operations. With approximately 290 million passengers per year, Nobina is one of the ten largest public transport companies in Europe.

The operating companies are commercial enterprises and wholly owned subsidiaries 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 FINANCIAL YEAR

### Revenue trend

The company's revenue increased by SEK 162 million, or 2.3 %, from SEK 7,050 million for the fiscal year that ended on 29 February 2012, to SEK 7,212 million for 2012/2013, which ended on 28 February 2013.

### Regional traffic – Sweden

Revenue from regional bus traffic in Sweden declined by SEK 97 million, or 2.0 %, from SEK 4,905 million for the fiscal year ending 29 February 2012, to SEK 4,808 million for the fiscal year ending 28 February 2013. The decrease was primarily due to expiration of some old traffic agreements that were not fully replaced by new ones during the year. Volume growth of existing contracts had a positive impact on the sales trend.

### Regional traffic – Denmark

Revenue from regional bus traffic in Denmark increased by SEK 16 million, or 4.9 %, from SEK 325 million for the financial year ending 29 February 2012, to SEK 341 million for the financial year ending 28 February 2013. The increase results from the net effect of indexation and a certain decrease in volume from expiration of an existing contract.

### Regional traffic – Norway

Revenue from regional bus traffic in Norway increased by SEK 228 million, or 31.8 %, from SEK 718 million for the financial year ending 29 February 2012, to SEK 946 million for the financial year ending 28 February 2013. The increase is explained by the start-up of two major traffic contracts during the 2011/2012 financial year: Tromsø at the start of the year and Oslo Vest in September.

### Regional traffic – Finland

Revenue from regional bus traffic in Finland increased by SEK 26 million, or 3.4 %, from SEK 775 million for the financial year ending 29 February 2012, to SEK 801 million for the financial year ending 28 February 2013. The increase was primarily due to indexation and more contracts.

SEK million, unless otherwise stated	08/09	09/10	10/11	11/12	12/13
Sales	6,134	6,308	6,697	7,050	7,212
Operating profit/loss	206	192	232	37	245
Profit/loss after net financial income/expense	-233	121	59	-230	-10
Profit/loss after tax	-239	121	59	-230	59
Cash flow	-59	-67	-91	-120	33
Cash and cash equivalents incl. restricted funds	558	472	335	260	312
Of which restricted funds	141	141	110	153	175
Equity/assets ratio, %	Neg.	2.8	3.4	Neg.	3.2
Shareholders' equity	-117	137	178	-43	194
Number of buses	3,505	3,553	3,618	3,437	3,455
Average number of employees	7,606	7,318	7,714	7,008	7,868
Revenue/bus	1.75	1.78	1.85	2.05	2.09

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### *Interregional traffic – Sweden*

Revenue from interregional bus traffic declined by SEK 15 million, or 4.0 %, from SEK 370 million for the financial year ending 29 February 2012, to SEK 355 million for the financial year ending 28 February 2013. The decline was primarily due to fewer passengers because of lower demand, as well as an increase in price competition.

### *Personnel costs*

Personnel costs increased by SEK 79 million, or 2.2 %, from SEK 3,528 million for the financial year ending 29 February 2012, to SEK 3,607 million for the financial year ending 28 February 2013. This was primarily due to increased salaries and payroll overhead in conjunction with traffic production in new regional traffic contracts and contractual salary increases.

### *Fuel, tyres and other consumables*

The costs for fuel, tyres and other consumables declined by SEK 22 million, or 1.3 %, from SEK 1,724 million for the financial year ending 29 February 2012, to SEK 1,702 million for the financial year ending 28 February 2013.

### *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 declined by SEK 83 million, or 6.5 %, from SEK 1,262 million for the financial year ending 29 February 2012, to SEK 1,179 million for the financial year ending 28 February 2013. The decline is primarily associated with last year's one-off costs for capitalized issue expenses for strategic advice on capital and ownership structure.

### *Depreciation/amortization and impairments*

Depreciation/amortization and impairments are primarily comprised of depreciation of buses and other vehicles but also relate to depreciation of equipment, tools, inventories, fittings & fixtures and buildings. Depreciation/amortization and impairments declined by SEK 25 million, or 5.1 %, from SEK 489 million for the financial year ending 29 February 2012, to SEK 464 million for the financial year ending 28 February 2013. The decline is associated with last year's one-off impairment of goodwill equal to SEK 84 million for Nobina Norge AS.

### *Operating profit/loss trend*

The company's operating profit increased by SEK 208 million, or 462.2 %, from SEK 37 million for the financial year ending 29 February 2012, to SEK 245 million for the financial year ending 28 February 2013. The increase is primarily due to the non-existence of one-off effects. Last year, one-off effects totalled SEK 171 million and they were comprised of: impairment of goodwill for Nobina Norge AS for SEK 84 million, one-off profit impact for regional bus traffic in Norway of SEK 31 million, recognition of prior capitalized issue costs of SEK 49 million and the costs for Nobina's 100th anniversary for SEK 7 million. Operating profit improved by SEK 138 million for regional traffic and by SEK 9 million for interregional traffic. Operating profit for regional traffic improved by SEK 138 million, including a SEK 115 million improvement associated with last year's one-off effects. Estimated costs for extreme winter conditions in the fourth quarter in the form of fuel consumption, damage, maintenance and cancelled departures increased by SEK 4 million from SEK 8 million for the financial year ending 29 February 2012 to SEK 12 million for the financial year ending 28 February 2013.

### *Regional traffic – Sweden*

Operating profit increased by SEK 8 million, or 2.7 %, from SEK 295 million for the financial year ending 29 February 2012, to SEK 303 million for the financial year ending 28 February 2013. This was primarily due to repayment of funds to Fora equal to SEK 25 million and profit reductions associated with renewal of the contract portfolio along with costs of SEK 12 million associated with the extreme winter conditions during the fourth quarter.

### *Regional traffic – Denmark*

The negative operating profit declined by SEK 7 million, or 21.2 %, from SEK 33 million for the financial year ending 29 February 2012, to SEK 26 million for the financial year ending 28 February 2013. This was primarily due to lower operating deficit in the first traffic contract that started up in October 2008.

### *Regional traffic – Norway*

Operating profit increased by SEK 103 million from SEK –128 million for the financial year ending 29 February 2012, to SEK –25 million for the financial year ending 28 February 2013. The improvement was due to the absence of last year's one-off effects that included impairment of goodwill equal to SEK 84 million and other write-downs equal to SEK 31 million. Operating profit otherwise declined by SEK 12 million because of problems associated with the new contract in Tromsø.

### *Regional traffic – Finland*

Operating profit increased by SEK 20 million from SEK 12 million for the financial year ending 29 February 2012, to SEK 32 million for the financial year ending 28 February 2013. The improvement is explained by improved operating profit due to streamlining operations, new contracts and the absence of extraordinary winter expenses during the fourth quarter.

### *Interregional traffic – Sweden*

Operating profit increased by SEK 9 million from SEK –4 million for the financial year ending 29 February 2012, to SEK 5 million for the financial year ending 28 February 2013. The improvement was due to more efficient operations that helped counterbalance the continued decline in number of passengers because of lower demand and increased price competition.

### *Central functions and other items*

Central functions and other items include expenses related to the head office. Operating profit for central functions and other items decreased by SEK 61 million from SEK 105 million for the financial year ending 29 February 2012, to SEK 44 million for the financial year ending 28 February 2013. The decrease is explained by the absence of items corresponding to last year's profit impact from capitalizing issue costs of SEK 49 million and costs for the 100th anniversary equal to SEK 7 million as well as a decline in other costs.

### *Profit from financial investments*

Interest income and similar profit/loss items increased by SEK 5 million, or 25.0 %, from SEK 4 million for the financial year ending 29 February 2012, to SEK 9 million for the financial year ending 28 February 2013. The increase is primarily associated with the Group's increase in cash equivalents. Interest expense and similar profit/loss items decreased by SEK 7 million from SEK 271 million for the financial year ending

## FINANCIAL STATEMENTS

29 February 2012, to SEK 264 million for the financial year ending 28 February 2013. The decline is primarily explained by the net effect of higher interest on leases equal to SEK 22 million and lower interest on the Group's bond loans equal to SEK 27 million.

### Tax

The Group's tax expenses were SEK +69 million for the financial year ending 28 February 2013 and SEK 0 for the financial year ending 29 February 2012. Group management has now decided to report a portion of the Group's current loss carryforward. The assessment is that the risks, which previously affected valuation, in the form of exchange rate fluctuations on the Group's bond loan, as well as the Group's financial positions, are now lower because refinancing of the bond loan is in SEK. The refinancing solution reduces the liabilities by approximately SEK 180 million via conversion to shares in Nobina AB. This gives the Nobina Group an improved capital structure and a higher equity/assets ratio. Deferred tax has been calculated using tax rates that have been enacted, or are expected to apply when the related deferred tax asset is realized or the tax liability is settled. The deferred tax asset that pertains to deductible temporary differences and unused tax losses has been reported to the extent that it is expected to be utilised in the foreseeable future, and doing so is deemed probable. Current tax and adjustments to prior years' tax for the Nobina Group amounted to SEK -1 (0) million, and the income effect of retroactive estimated deferred tax assets and deferred tax liabilities for the financial year was SEK +70 (0) million.

### Profit for the year

For the financial year ending 28 February 2013, the company reported a profit of SEK 59 million, compared with a loss of SEK 230 million for the financial year ending 29 February 2012.

### 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 decreased during the year by SEK 7 (87) million. The Group's exchange gain amounted to SEK 6 (4) million. That amount is primarily a prior unrealized exchange gain on Nobina Europe AB's bond loan that used to be EUR 85 million, but was replaced in October 2012 with a bond loan of SEK 551 million and has thus been capitalized.

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. The maturity date for Nobina Europe AB's bond loan is 31 October 2017. Nobina Europe has the option of repaying the corporate bond before that date, without incurring any additional charges. Nobina Europe AB is dependent on obtaining new financing in order to complete full repayment.

### INVESTMENTS AND DEPRECIATION

The Group's investments during the year consisted primarily of bus acquisitions. During the year, 426 (263) buses were acquired through finance leases, while 58 (133) other buses were financed in cash. In total, the Group acquired 501 (396) buses during the year. Cash-financed investments amounted to SEK 127 (115) million. Through its subsidiary, Nobina Fleet AB, the Group entered into finance leases amounting to SEK 1,129 (745) million. 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 483 (590) buses valued at SEK 35 (114) million. This resulted in a capital loss of SEK -12 (-10) million.

### EMPLOYEES

During the period, the average number of employees was 8,162 (9,387) and the number of employees recalculated as FTEs (full-time equivalents) was 7,868 (7,008). In all countries where Nobina AB has operations, collective agreements are applied in accordance with the trade union that represents employees in the industry where each company is active. Between the employee representatives and the company, 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 programmes 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.

### PRIVATE PLACEMENT

Through a private placement directed at certain individuals who are employees, Group Board members and also shareholders, a total of 7,005,098 shares valued at SEK 2,101,529 were subscribed for.

### SUPPLIERS

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

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and controlling tyre 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. The Group is required to report some of its activities, such as washing buses at depots and proprietary workshops, in accordance with the Swedish Environmental Code (SFS 1998:808). These activities impact the environment primarily through the discharge of water from bus-washing facilities. 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

Nobina Norge AS has two ongoing disputes with Skyss Sunnhorland and Nordhordland, amounting to NOK 31 million.

### 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 28 February 2013, the Group's contracts with public transport authorities accounted for 95 % of total sales. 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, competitiveness 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 considerable 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 ten years, whereby such factors as price, price index and operational scope are established when signing the contract. There are generally no, or limited, opportunities to renegotiate contract conditions after a contract has been signed. A loss-making contract may thus cause substantial damage to 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. In recent years, incentive contracts have become more prevalent in tendering processes. These types of contracts offer incentives based on the number of passengers who use public transport. With an incentive contract, the service provider becomes more dependent on revenue that is based on passengers' interest in using public transport.

*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 means 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 indexes aimed at offsetting changes in the Group's costs during the term of the specific contract. The price-adjustment indexes that are used take into consideration the costs for labour, fuel, changes in the consumer price 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, biannual or annual basis and, in certain cases, applied to 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 hold traffic companies harmless, but to adjust the compensation to be paid in the future. This may mean that the price-adjustment indexes do not provide full compensation at the right time, for actual costs or 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 variety 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 imports, 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. As of 28 February 2013, the Group had no outstanding diesel derivatives.

*Exchange-rate fluctuations*

Several of the Group's operating subsidiaries, including Nobina Norway, Nobina Finland and Nobina Denmark, have functional currencies other than SEK (the Parent Company's functional currency). When the Group compiles the consolidated financial statements, it

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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 these currencies: NOK, EUR and DKK. The Group is also exposed to exchange-rate fluctuations with regard to fuel costs, which are partially mitigated by the price-adjustment index and by the Group subscribing to commodity options in local currency.

### *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 considerable 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 finance and operating leases, which are mainly subject to variable interest. Interest rate increases are compensated to some extent through price-adjustment indexes containing components of interest and/or consumer price indexes.

### *Liquidity risk*

Liquidity risk is defined as the risk that cash and cash equivalents are not available or that financing cannot be obtained when required. The Group has an accounts receivable purchase facility of SEK 300 million and an overdraft facility of SEK 50 million.

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

### **SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR**

Nobina won a tender for a transport contract in the city of Malmö. The scope is approximately 100 buses. The term of the contract is 10 years, with the option to extend for an additional 3 years. The estimated value over the entire term is almost SEK 2.5 billion. When the contract comes into force in June 2014, Nobina will be responsible for all city bus services in the city of Malmö.

Nobina won a tender for 31 buses in Helsinki. This new assignment makes Nobina the largest operator in Helsinki.

### **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). As of the 2013/2014 financial year, the Nobina Group's reporting of its pension liabilities will change in conjunction with the implementation of certain changes in IFRS (IAS 19). One of the changes that will have the most significant impact on the Nobina Group is the abolition of the corridor method. Because of this, historical cumulative actuarial gains and losses will increase the reported amount of pension liability and decrease equity by SEK 10 million. More information is available in Note 22. Future recalculations (including actuarial gains and losses) will not be accrued. Instead, they will have an immediate effect on equity via other comprehensive income. 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 on applying IFRS in the Parent Company because of the Swedish Annual Accounts Act (ÅRL) and, in certain cases, for taxation reasons. 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 67 (52) employees during the year. The Parent Company's profit before tax was SEK 64 (0) million and cash and cash equivalents at year-end were SEK 104 (121) million, of which SEK 56 (56) million were 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	611,623,153
Profit brought forward	1,650,338,989
Profit for the year	63,590,812
<b>Total</b>	<b>2,325,552,954</b>
To be carried forward	
<b>Total</b>	<b>2,325,552,954</b>

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.

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### CONSOLIDATED INCOME STATEMENT

SEK M	Note	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Net sales	1, 2, 3	7,055	6,891
Other operating income	2,3	157	159
<b>Total revenue</b>		<b>7,212</b>	<b>7,050</b>
<b>OPERATING EXPENSES</b>			
Fuel, tires and other consumables	4	–1,702	–1,724
Other external expenses	4, 5, 6	–1,179	–1,262
Personnel costs	4, 7	–3,607	–3,528
Capital losses from the disposal of non-current assets		–15	–10
Depreciation/amortization and impairment of PPE and intangible assets	8	–464	–489
<b>Operating profit/loss</b>	1, 2	<b>245</b>	<b>37</b>
<b>Profit from net financial items</b>			
Financial income	9	9	4
Financial expense	10	–264	–271
<b>Net financial items</b>		<b>–255</b>	<b>–267</b>
<b>Profit/loss before tax</b>		<b>–10</b>	<b>–230</b>
Tax	11	69	–
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>59</b>	<b>–230</b>
Profit/loss for the period attributable to Parent Company shareholders		59	–230
Average number of shares before dilution (000s)	20	238,033	24,928
Earnings per share attributable to Parent Company shareholders, before dilution (SEK)	21	0.25	–9.23
Earnings per share attributable to Parent Company shareholders, after dilution (SEK)	21	0.25	–9.23

### STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

SEK M	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Profit/loss for the year	59	–230
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange-rate differences in foreign operations	–5	9
<b>Other comprehensive income for the year, net after tax</b>	<b>–5</b>	<b>9</b>
<b>Comprehensive income for the year</b>	<b>54</b>	<b>–221</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>	<b>54</b>	<b>–221</b>

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## CONSOLIDATED BALANCE SHEET

SEK M	Note	2013-02-28	2012-02-29
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	12	591	598
Other intangible assets	12	21	14
<i>Total intangible assets</i>		612	612
<b>Property, plant and equipment</b>			
Costs for improvements on third-party properties	13	21	9
Equipment, tools, fixtures and fittings	13	56	64
Vehicles	13	4,168	3,506
<i>Total property, plant and equipment</i>		4,245	3,579
<b>Financial assets</b>			
Non-current receivables		1	1
Deferred tax assets	11	124	7
Pension assets	22	16	14
<i>Total financial assets</i>		141	22
<b>Total non-current assets</b>		<b>4,998</b>	<b>4,213</b>
<b>Current assets</b>			
Inventories	16	44	52
Trade receivables	17	369	476
Other current receivables		81	61
Deferred expenses and accrued income	18	240	208
Restricted bank accounts	19	175	153
Cash and cash equivalents	19	137	107
<b>Total current assets</b>		<b>1,046</b>	<b>1,057</b>
<b>TOTAL ASSETS</b>	1,2	<b>6,044</b>	<b>5,270</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity attributable to Parent Company shareholders	20	194	-43
<b>NON-CURRENT LIABILITIES</b>			
Borrowing	24	3,800	2,502
Deferred tax liabilities	11	47	-
Provisions for pensions and similar commitments	22	25	27
Other provisions	23	45	61
<b>Total non-current liabilities</b>		<b>3,917</b>	<b>2,590</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		465	425
Borrowing	24	496	1,420
Other current liabilities	25	153	145
Accrued expenses and deferred income	26	819	733
<b>Total current liabilities</b>		<b>1,933</b>	<b>2,723</b>
<b>Total liabilities</b>		<b>5,850</b>	<b>5,313</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1,2	<b>6,044</b>	<b>5,270</b>
PLEDGED ASSETS AND CONTINGENT LIABILITIES	27		

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Share capital	Other contributed capital	Translation differences	Profit/loss brought forward	Total equity attributable to Parent Company shareholders
<b>Opening shareholders' equity, 28 February 2011</b>	<b>224</b>	<b>2,271</b>	<b>26</b>	<b>-2,343</b>	<b>178</b>
Comprehensive income for the year	–	–	9	–230	–221
<b>Closing shareholders' equity, 29 February 2012</b>	<b>224</b>	<b>2,271</b>	<b>35</b>	<b>-2,573</b>	<b>-43</b>
Comprehensive income	–	–	–5	59	54
<b>Transactions with owners</b>					
Reduction of share capital	–217	217	–	–	–
New issue of shares (to bond holders)	181	–	–	–	181
New issue of shares to senior executives	2	–	–	–	2
Bond issue	38	–	–	–38	–
Issue expenses	0	–	–	–	0
<b>Total transactions with owners</b>	<b>4</b>	<b>217</b>	<b>–</b>	<b>–38</b>	<b>183</b>
<b>Closing shareholders' equity, 28 February 2013</b>	<b>228</b>	<b>2,488</b>	<b>30</b>	<b>-2,552</b>	<b>194</b>

There are no non-controlling interests.

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## CONSOLIDATED CASH-FLOW STATEMENT

SEK M	Note	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>Cash flow from operating activities</b>			
Profit/loss after financial items		–10	–230
<i>Adjustments for non-cash items</i>			
– Depreciation/amortization and impairments	8	464	489
– Capital gain/loss from the disposal of non-current assets		15	10
– Unrealized foreign-exchange gains/losses		–10	–8
– Financial income	9	–9	–4
– Financial expenses		259	246
– Changes in provisions, pensions, etc.		–7	–22
– Other items		15	32
<b>Cash flow from operating activities before changes in working capital</b>		<b>717</b>	<b>513</b>
<b>Cash flow from changes in working capital</b>			
Changes in inventories		7	–3
Changes in operating receivables		20	124
Changes in operating liabilities		119	–12
<b>Total changes in working capital</b>		<b>146</b>	<b>109</b>
Received interest income	9	5	4
Tax paid	11	–2	–
<b>Cash flow from operating activities</b>		<b>866</b>	<b>626</b>
<b>Cash flow from investing activities</b>			
Changes in restricted bank accounts	19	–26	–41
Investments in PPE and intangible assets excl. financial leasing	6, 12, 13	–127	–115
Divestment of buildings and land, vehicles, equipment, tools, fixtures and fittings	12, 13	35	114
<b>Cash flow from investing activities</b>		<b>–118</b>	<b>–42</b>
<b>Cash flow from financing activities</b>			
Amortization of financial lease liability	24	–437	–346
Amortization of loans	24	–733	–110
New borrowing	24	551	–
Borrowing expenses		–34	–
New issue of shares (to bond holders)	20	181	–
New share issue	20	2	–
Interest paid	10	–245	–248
<b>Cash flow from financing activities</b>		<b>–715</b>	<b>–704</b>
<b>Cash flow for the year</b>		<b>33</b>	<b>–120</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>107</b>	<b>225</b>
Cash flow for the year		33	–120
Exchange-rate difference		–3	2
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>19</b>	<b>137</b>	<b>107</b>

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### PARENT COMPANY INCOME STATEMENT

SEK M	Note	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Other operating income		160	151
<b>Total revenue</b>	1, 3	<b>160</b>	<b>151</b>
<b>OPERATING EXPENSES</b>			
Other external expenses	4, 5	–75	–139
Personnel costs	4, 7	–71	–63
Capital losses from the disposal of non-current assets		–1	–
Depreciation/amortization and impairment of PPE and intangible assets	8	–17	–13
<b>Operating profit/loss</b>	1, 2	<b>–4</b>	<b>–64</b>
Profit from participations in Group companies		8	21
Financial income	9	68	44
Financial expense	10	–8	–1
<b>Net financial items</b>		<b>68</b>	<b>64</b>
Profit/loss before tax		64	0
Tax	11	–	–
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>64</b>	<b>0</b>

### PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK M	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Profit/loss for the year	64	0
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income for the year, net after tax	–	–
<b>Comprehensive income for the year</b>	<b>64</b>	<b>0</b>

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## PARENT COMPANY BALANCE SHEET

SEK M	Note	2013-02-28	2012-02-29
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Other intangible assets	12	20	13
<i>Total intangible assets</i>		20	13
<b>Property, plant and equipment</b>			
Equipment, tools, fixtures and fittings	13	26	30
<i>Total property, plant and equipment</i>		26	30
<b>Financial assets</b>			
Participations in Group companies	14	1,953	1,772
Receivables from Group companies	15	444	400
<i>Total financial assets</i>		2,397	2,172
<b>Total non-current assets</b>		<b>2,443</b>	<b>2,215</b>
<b>Current assets</b>			
Receivables from Group companies		139	85
Other current receivables		2	6
Deferred expenses and accrued income	18	11	9
Restricted bank accounts	19	56	56
Cash and cash equivalents	19	48	65
<b>Total current assets</b>		<b>256</b>	<b>221</b>
<b>TOTAL ASSETS</b>	<b>1</b>	<b>2,699</b>	<b>2,436</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	20		
Share capital		228	224
Statutory reserve		1	–
<b>Total restricted shareholders' equity</b>		<b>229</b>	<b>224</b>
<b>Non-restricted shareholders' equity</b>	20		
Share premium reserve		612	612
Profit brought forward		1,649	1,471
Profit/loss for the year		64	0
<i>Total non-restricted shareholders' equity</i>		2,325	2,083
<b>Total shareholders' equity</b>		<b>2,554</b>	<b>2,307</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar commitments	22	3	2
<b>Total non-current liabilities</b>		<b>3</b>	<b>2</b>
<b>Current liabilities</b>			
Accounts payable		14	22
Liabilities to Group companies		109	86
Other current liabilities	25	3	1
Accrued expenses and deferred income	26	16	18
<i>Total current liabilities</i>		142	127
<b>Total liabilities</b>		<b>145</b>	<b>129</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1</b>	<b>2,699</b>	<b>2,436</b>
<b>PLEGGED ASSETS AND CONTINGENT LIABILITIES</b>	27		
Pledged assets		121	106
Contingent liabilities		4,219	3,821
<b>Total pledged assets and contingent liabilities</b>		<b>4,340</b>	<b>3,927</b>

## FINANCIAL STATEMENTS

### PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>SEK M</i>	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Share premium reserve</i>	<i>Profit/loss brought forward</i>	<i>Profit/loss for the year</i>	<i>Total shareholders' equity</i>
<b>Opening shareholders' equity, 28 February 2011</b>	<b>224</b>	–	<b>612</b>	<b>1,382</b>	<b>89</b>	<b>2,307</b>
Comprehensive income for the year	–	–	–	–	0	0
<b>Transactions with owners</b>						
Transfer of the preceding year's profit/loss	–	–	–	89	–89	–
<b>Total transactions with owners</b>	–	–	–	<b>89</b>	<b>–89</b>	–
<b>Total shareholders' equity, 29 February 2012</b>	<b>224</b>	–	<b>612</b>	<b>1,471</b>	<b>0</b>	<b>2,307</b>
Comprehensive income for the year	–	–	–	–	64	64
<b>Transactions with owners</b>						
Reduction of share capital	–217	–	–	217	–	–
New issue of shares (to bond holders)	181	–	–	–	–	181
New issue of shares to senior executives	2	–	–	–	–	2
Bond issue	38	–	–	–38	–	–
Provisions to statutory reserve	–	1	–	–1	–	–
Issue expenses	0	–	–	–	–	0
<b>Total transactions with owners</b>	<b>4</b>	<b>1</b>	–	<b>178</b>	–	<b>183</b>
<b>Total shareholders' equity per 28 February 2013</b>	<b>228</b>	<b>1</b>	<b>612</b>	<b>1,649</b>	<b>64</b>	<b>2,554</b>

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## PARENT COMPANY CASH FLOW STATEMENT

SEK M	Note	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>Cash flow from operating activities</b>			
Profit/loss after financial items		64	0
<i>Adjustments for non-cash items:</i>			
– Depreciation/amortization	8	17	13
– Capital gain/loss from the disposal of non-current assets		1	–
– Financial income and dividends	9	–75	–44
– Financial expenses		8	1
– Unrealized exchange gain/losses		2	–
<b>Cash flow from operating activities before changes in working capital</b>		<b>17</b>	<b>–30</b>
<b>Cash flow from changes in working capital</b>			
Changes in operating receivables		–51	22
Changes in operating liabilities		13	68
<b>Total changes in working capital</b>		<b>–38</b>	<b>90</b>
Received interest income	9	33	61
<b>Cash flow from operating activities</b>		<b>12</b>	<b>121</b>
<b>Cash flow from investing activities</b>			
Changes in restricted bank accounts	19	–	–26
Investments in PPE and intangible assets	12, 13	–22	–39
<b>Cash flow from investing activities</b>		<b>–22</b>	<b>–65</b>
<b>Cash flow from financing activities</b>			
Interest paid	10	–7	–
<b>Cash flow from financing activities</b>		<b>–7</b>	<b>–</b>
<b>Cash flow for the year</b>		<b>–17</b>	<b>56</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>65</b>	<b>9</b>
<b>Cash flow for the year</b>		<b>–17</b>	<b>56</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>19</b>	<b>48</b>	<b>65</b>

## NOTES

NOTE 01 *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 most 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 25 April 2013.

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 30 May 2013, 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 annual report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 "Accounting for Legal Entities", as well as statements issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group except for in those cases specified below under "Accounting policies of the Parent Company."

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

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

Assets and liabilities are recognized at historical cost, except for certain financial assets and liabilities, which are measured at fair value or amortized 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. Income statement items are translated at the average rate during the year.

**FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY**

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

**ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS**

When preparing the financial statements, company management and the Board of Directors must make assessments that affect the 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 bal-

ance 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. Forecasts for future cash flow are based on the best possible assessments of future income and operating expenses, which in turn are based on historical trends, general market conditions and other available information. The forecasts are 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.

**Useful life of vehicles (buses)**

When assessing whether the useful life of standard vehicles (buses) is the same as the actual useful life, a number of assumptions are made about future conditions. Group management is of the opinion that the useful life corresponds to the average contact term, 8 years, which can be extended for another 6 years, i.e. a total of 14 years.

**Tax assets**

In assessing whether to measure previously accumulated loss carryforwards, refer to Note 11, Group management has decided to report a portion of the Group's current loss carryforwards. The assessment is that the risks, which previously affected valuation, in the form of exchange rate fluctuations on the Group's bond loan, as well as the Group's financial positions, are now lower because refinancing of the bond loan is in SEK. The refinancing solution reduces the liabilities by approximately SEK 181 million via conversion to

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shares in Nobina AB. This gives the Nobina Group an improved capital structure and a higher equity/assets ratio. The remaining portion of the bond loan, approximately SEK 551 million, has been issued as a new five-year bond. Deferred tax has been calculated using tax rates that have been enacted, or are expected to apply when the related deferred tax asset is realized or the tax liability is settled. Most of the loss carryforwards are attributable to countries with a long or indefinite useful life. The deferred tax asset that pertains to deductible temporary differences and unused tax losses has been reported to the extent that it is expected to be utilised in the foreseeable future, and doing so is deemed probable.

### **Provisions for onerous contracts**

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

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

### **Refinancing**

Nobina Europe AB refinanced its EUR 85 million bond loan in October 2012. The refinancing solution reduces the liabilities by approximately SEK 181 million via conversion to shares in Nobina AB. This significantly improved the Nobina Group's capital structure and the equity/assets ratio is now higher as well. The remaining portion of the bond loan, approximately SEK 551 million, has been issued as a new five-year bond denominated in SEK and listed on Nasdaq OMX.

### **NEW ACCOUNTING POLICIES**

#### **New and revised standards 2012/13**

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.

- IAS 12 Income Taxes. Deferred tax on assets in accordance with the revaluation method are to be 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.

- IAS 1 Presentation of other comprehensive income. 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.

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

Standards and interpretations not yet in force have not been applied for 2012/13. As of the 2013/2014 financial year, the Nobina Group's reporting of its pension liabilities will change in conjunction with the implementation of certain changes in IFRS (IAS 19). One of the changes that will have the most significant impact on the Nobina Group is the abolition of the corridor method. Because of this, historical cumulative actuarial gains and losses will increase the reported amount of pension liability and decrease equity by SEK 10 million. More information is available in Note 22. Future recalculations (including actuarial gains and losses) will not be accrued. Instead, they will have an immediate effect on equity via other comprehensive income. For other standards and interpretations that have not yet come into force, the company has not yet determined whether they will have any effect on the consolidated financial statements.

- IAS 19 Employee benefits. The amendments involve significant changes regarding the recognition of defined benefit pension plans, for example, the option of accruing actuarial gains and losses as part of the "corridor" will no longer be allowed. Furthermore, 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.

- IAS 1 Presentation of other comprehensive income. This changes the grouping of transactions that are recognized in other comprehensive income. The proposal does not change the actual content of other comprehensive income, only the layout. To be applied for annual periods beginning 1 January 2013 or later.

- IFRS 10 Consolidated financial statements and amended IAS 27. IFRS 10 replaces the section in IAS 27 that deals with 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 2014.

- 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 it must, or may be used in accordance with each IFRS

standard. To be applied to fiscal years beginning on or after 1 January 2013.

- IAS 27 Separate financial statements Revision of IAS 27, which contains provisions on separate financial statements and the related disclosures about control. To be applied to fiscal years beginning on or after 1 January 2014.

- IAS 28 Associates and joint ventures Revision of IAS 28 that contains requirements on reporting joint ventures and associates in accordance with the equity method. To be applied to fiscal years beginning on or after 1 January 2014.

- IFRS 7 requires new disclosures to provide investors and other users with a better understanding of potential effects that could occur when financial assets and liabilities offset. To be applied to fiscal years beginning on or after 1 January 2013.

- IFRS 9 Financial instruments. This standard is part of a complete revision to the current standard, IAS 39. The standard reduces the number of valuation categories for financial assets. As a result the main categories are reported at cost (amortized cost) or fair value through profit or loss. This first part of the standard will be expanded with new requirements for impairment of financial assets measured at 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 2015.

## 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).

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

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

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

The Group's operations are governed and reported as operating segments. More information is available in Note 2. The accounting policies for the reporting segments are the same as those used in the consolidated financial statements. Nobina evaluates operations in each operating segment based on the operating profit for each reporting operating segment, and normally 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, PPE, 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. Most of Nobina's leases are classified as financial leasing, see Note 6. A financial lease transfers substantially all of the risks and rewards of ownership to the lessee. If this is not the case, the agreement is considered to be an operational lease. 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 liability. In the income statement, the leasing expenses are recognized as depreciation and interest expense. For operating leases, no assets or liabilities are recognized in the balance sheet. In the income statement, leasing expenses are recognized over the term of the lease.

### Depreciation/amortization

Depreciation/amortization of property, plant and

equipment and intangible assets is based on the historic cost and estimated useful lives of different groups of non-current assets. Depreciation/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 ASSETS AND PROPERTY, PLANT AND EQUIPMENT (PPE)

#### 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 indica-

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tions of a decrease in value. Impairment losses are never reversed. For the purpose of testing impairment requirements, goodwill is allocated to the Group's cash-generating units, which are the same as those used in the segment accounting. Recoverable amounts are determined based on calculations of the value in use. The recoverable amount is the highest of value in use and net realizable value. These calculations are based on an internal assessment of the next four (five) years with various growth rates per segment area. Anticipated future cash flows in accordance with these assessments constitute the grounds for the calculation. Working capital changes and investment requirements have hereby been taken into account. If such an analysis indicates that the carrying amount is higher than the recoverable amount, which is the highest of fair value and value in use, the difference between the carrying amount of goodwill and the recoverable amount will be recorded as an impairment loss. The value in use is measured as the anticipated future discounted cash flow generated by the asset.

### **Other intangible assets and property, plant and equipment**

Other intangible assets and items of property, plant and equipment are recognized at historical cost less amortization/depreciation and any impairment losses. Cost consists of the purchase price as well as costs directly attributable to bringing and installing the asset to working condition for its intended use. Any discounts or bonuses are deducted from the cost amount.

An item of property, plant and equipment is recognized as an asset when the cost can be calculated in a reliable manner and when, based on available information, it is probable that the future financial benefits connected with ownership will accrue to the company. An item of property, plant and equipment is recognized at the time of delivery, as stated on the invoice or packing slip. The carrying amounts of non-current assets are regularly tested for impairment. If, on the date of the year-end report, there is an indication that a non-current asset has declined in value, a calculation is made of the asset's net 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 that will be divested, the potential impairment amount is calculated as the difference between the estimated sales revenue less associated costs and the asset's carrying amount.

### **INVENTORIES**

Inventories are stated at the lower of cost and fair value on a first in, first out basis. The necessary provisions are made for obsolescence, partly on a case-by-case basis and partly through collective assessment.

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

Financial instruments are initially 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 or group of financial assets.

The Group has not applied hedge accounting for the 2012/2013 or 2011/2012 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 at the amount in which they are expected to be received after deduction for doubtful debts, which are assessed individually. When the expected maturity is short, the receivable is 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 demand deposits at banks.

### **Other financial liabilities**

Liabilities are classed as other financial liabilities, which means that they are initially recognized at the amount received less transaction costs. After the acquisition date, liabilities are measured at amortized cost using the effective interest method. Accounts payable are classified as other financial liabilities. Accounts payable have a short expected maturity and are measured at nominal value without discounting.

### **Impairment of financial assets**

Any impairment requirements of financial assets in the categories of held-to-maturity investments and loans and receivables measured at 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 that, at a minimum, states the place of work, as well as the amount of compensation for each employee and the time of the plan's implementation.

### **Onerous contracts**

A large share of the revenues is attributable to contracts with public transport authorities where the contracts extend for between five and eight years. The contractual terms commonly stipulate that the revenues shall be adjusted upwards in accordance with set indexes, either consumer price indexes or various producer price indexes. Due to changed conditions and because the costs increase more than the revenues, the contracts can become loss or onerous contracts, which is when the remaining contracted revenues are not enough to cover the costs attributable to the contracts to 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

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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 post employment contributions. Under the defined benefit for Nobina Norge AS and Nobina Europe AB, benefits are paid to former employees on the basis of final salary and years of service. The Group bears the risk of ensuring that the contractual benefits are paid.

Pension obligations for most of the Swedish operations are covered by a multi-employer, defined-benefit pension plan. The plan is insured in the mutual insurance company Alecta. The Group has not had access to sufficient information to report its proportional share of the defined-benefit obligation and of the plan assets and expenses. The plan is therefore 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.

### **Share-based compensation to the CEO**

Share-based compensation is share-based remuneration that may comprise up to 140 % of the CEO's fixed annual salary and which is paid out over a period of three years. Share-based compensation shall be conditional upon the AGM making the required decisions for delivery of shares according to the established share-based payment. As per IFRS, a company must report the value of the allotted shares during the vesting period. Social security contributions have been reported as personnel costs in the income statement, along with a provision in the balance sheet.

### **EARNINGS PER SHARE**

Earnings per share before dilution is calculated as follows: the net profit attributable to the Parent Company's shareholders divided by the average number of outstanding shares. Diluted EPS is calculated in the same way, except that it also includes dilutive potential ordinary 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, in the same way as shareholders' contributions. Group contributions

that are paid by, or received from, another company in the same Group are basically a method for reducing the Group's taxable income. 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.

# FINANCIAL STATEMENTS

## NOTE 02 Nobina's operating segments

2012/2013	Nobina Sweden	Nobina Denmark	Nobina Norway	Nobina Finland	Elimi- nation <sup>(*)</sup>	Total Regional traffic	Swebus <sup>(**)</sup>	Total Inter- regional traffic	Central func- tions and other items	Elimi- nation	Total
Revenue	4,808	341	946	801	-39	6,857	355	355	160	-160	7,212
Operating profit/loss	303	-26	-25	32		284	5	5	-44		245
EBIT (%)	6.3	-7.6	-2.6	4.0		4.1	1.4	1.4	-	-	3.4
Of which operational leasing expenses	151	30	5	15	-	201	1	1	-	-	202
Amortization and impairments	294	12	77	45	-	428	18	18	18	-	464
Of which depreciation of assets held under finance leases	246	8	61	35	-	350	18	18	-	-	368
EBITDAR (%)	15.6	4.6	6.0	11.4	-	13.3	6.7	6.7	-	-	12.6
Total assets	3,486	144	1,324	598	-	5,552	169	169	323	-	6,044
Of which intangible assets, goodwill	383	-	134	29	-	546	45	45	-	-	591
Of which assets held under finance leases	2,569	102	789	427	-	3,887	102	102	-	-	3,989
Investments in PPE and financial assets for the year	738	34	277	185	-	1,234	-	-	22	-	1,256
Total liabilities	3,265	154	1,032	543	-	4,994	148	148	708	-	5,850
Of which finance lease liabilities	2,432	99	756	394	-	3,681	97	97	-	-	3,778
Average number of employees	5,093	409	1,019	1,093	-	7,614	481	481	67	-	8,162
Number of employees translated to FTEs	5,097	355	1,192	949	-	7,593	214	214	61	-	7,868

2011/2012	Nobina Sweden	Nobina Denmark	Nobina Norway	Nobina Finland	Elimi- nation <sup>(*)</sup>	Total Regional traffic	Swebus <sup>(**)</sup>	Total Inter- regional traffic	Central func- tions and other items	Elimi- nation	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
Amortization and impairments	264	11	138	42	-	455	20	20	14	-	489
Of which depreciation of assets held under finance leases	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 assets held under finance leases	2,134	95	640	304	-	3,173	122	122	-	-	3,295
Investments in PPE 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 finance lease 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

<sup>(\*)</sup> Elimination between Regional and Interregional traffic.

<sup>(\*\*)</sup> The majority of Swebus' business is attributable to Sweden.

## FINANCIAL STATEMENTS

### NOTE 03 *Net sales*

Net sales includes other operating income, which primarily consists of revenue from leasing, the sale of fuel and diesel and also revenue from workshop services to external customers. Sales to one major customer in the Nobina Sweden segment represent 16 (21) % of the Group's sales and in the Nobina Finland segment, 11 (9) % of the Group's sales.

	<b>Group</b>		<b>Parent Company</b>	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>Distribution of revenue, SEK M</b>				
Revenue Regional and Interregional traffic	7,045	6,877	–	–
Leasing, workshop services and sale of diesel	10	14	–	–
Other revenue	157	159	–	–
Sales to Group companies	–	–	160	151
<b>Total revenue</b>	<b>7,212</b>	<b>7,050</b>	<b>160</b>	<b>151</b>

### NOTE 04 *Operating expenses*

	<b>Group</b>		<b>Parent Company</b>	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>SEK M</b>				
Fuel	1,169	1,141	–	–
Tires and other consumables	533	583	–	–
<b>Total fuel and other consumables</b>	<b>1,702</b>	<b>1,724</b>	<b>–</b>	<b>–</b>
Leasing expenses	202	246	–	–
Other external expenses	977	1,016	75	139
<b>Total other expenses</b>	<b>1,179</b>	<b>1,262</b>	<b>75</b>	<b>139</b>
Salary expenses	2,725	2,631	45	38
Employer's contributions	599	626	14	12
Pension expenses	216	194	10	9
Other personnel costs	67	77	2	4
<b>Total personnel costs</b>	<b>3,607</b>	<b>3,528</b>	<b>71</b>	<b>63</b>

### NOTE 05 *Fees and remuneration to auditors*

	<b>Group</b>		<b>Parent Company</b>	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>Fees and compensation to auditors, SEK thousand</b>				
Ernst & Young				
Audit assignment	3,966	3,994	935	566
Associated audit services in addition to audit assignment	–	–	–	–
Tax advisory services	–	–	–	–
Other services	720	–	371	–
<b>Total</b>	<b>4,686</b>	<b>3,994</b>	<b>1,306</b>	<b>566</b>

# FINANCIAL STATEMENTS

## NOTE 06 Leasing

### Finance lease agreements, vehicles

	Group	
<b>Assets held under finance leases, SEK million</b>	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>Cost</b>		
Opening balance	4,247	3,485
New contracts signed during the year	1,129	745
Sales for the year	–22	–6
Exchange-rate difference	–67	23
<b>Closing cost</b>	<b>5,287</b>	<b>4,247</b>
<b>Accumulated depreciation</b>		
Opening accumulated depreciation	–952	–656
Depreciation for the year	–368	–295
Sales for the year	10	2
Exchange-rate difference	12	–3
<b>Closing accumulated depreciation</b>	<b>–1,298</b>	<b>–952</b>
<b>Residual value according to plan</b>	<b>3,989</b>	<b>3,295</b>

During the year, the Group entered into finance lease agreements for SEK 1,129 million (745) via the subsidiary Nobina Fleet AB. Assets held under finance leases are depreciated in accordance with the same depreciation principles as owned assets. The grounds for how the company's fees are established are based on the lease terms. The leasing expenses are normally based on either straight-line 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.

<b>Assets held under finance leases per segment, SEK million</b>	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	2,569	2,134
Nobina Denmark	102	95
Nobina Norway	789	640
Nobina Finland	427	304
<b>Total Regional traffic</b>	<b>3,887</b>	<b>3,173</b>
Swebus	102	122
<b>Total Interregional traffic</b>	<b>102</b>	<b>122</b>
<b>Total assets held under finance leases</b>	<b>3,989</b>	<b>3,295</b>

<b>Finance lease liabilities per segment, SEK million</b>	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	2,432	2,042
Nobina Denmark	99	92
Nobina Norway	756	620
Nobina Finland	394	277
<b>Total Regional traffic</b>	<b>3,681</b>	<b>3,031</b>
Swebus	97	116
<b>Total Interregional traffic</b>	<b>97</b>	<b>116</b>
<b>Total assets held under finance leases</b>	<b>3,778</b>	<b>3,147</b>

<b>Leasing fees for finance leases per segment, SEK million</b>	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	404	339
Nobina Denmark	13	12
Nobina Norway	113	70
Nobina Finland	54	47
<b>Total Regional traffic</b>	<b>584</b>	<b>468</b>
Swebus	23	26
<b>Total Interregional traffic</b>	<b>23</b>	<b>26</b>
<b>Total Financial leasing fees</b>	<b>607</b>	<b>494</b>

<b>Depreciation of assets held under finance leases per segment, SEK million</b>	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	246	202
Nobina Denmark	8	7
Nobina Norway	61	38
Nobina Finland	35	29
<b>Total Regional traffic</b>	<b>350</b>	<b>276</b>
Swebus	18	19
<b>Total Interregional traffic</b>	<b>18</b>	<b>19</b>
<b>Total depreciation of capitalized leases per segment</b>	<b>368</b>	<b>295</b>

<b>Interest expenses for finance lease liabilities per segment, SEK million</b>	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	112	103
Nobina Denmark	4	4
Nobina Norway	38	25
Nobina Finland	11	10
<b>Total Regional traffic</b>	<b>165</b>	<b>142</b>
Swebus	5	6
<b>Total Interregional traffic</b>	<b>5</b>	<b>6</b>
<b>Total Interest expenses for finance leases per segment</b>	<b>170</b>	<b>148</b>

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

<b>Expected maturity 2013-03-01 and later</b>	Q1	Q2	Q3	Q4	2014/15	2015/16	2016/17	Later	Total
Future minimum leasing fees	161	277	153	154	662	719	731	1,528	4,385
Present value of future minimum leasing fees	159	272	148	148	620	643	626	1,162	3,778

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

<b>Expected maturity 2012-03-01 and later</b>	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

# FINANCIAL STATEMENTS

## NOTE 06 *cont.*

### *Future minimum leasing fees for finance lease liabilities and their present value, SEK million*

	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Total future minimum leasing fees	4,385	3,693
Less interest charge	–607	–546
<b>Present value of future minimum leasing fees</b>	<b>3,778</b>	<b>3,147</b>

### *Operating leases, vehicles, SEK million*

	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Fees for operating leases for the year	202	246
Number of operating leases	857	1,225

### *Future minimum leasing fees for non-cancellable operating leases, SEK million*

	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Total future minimum leasing fees	405	674
Less interest charge	–28	–68
<b>Present value of future minimum leasing fees</b>	<b>377</b>	<b>606</b>

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, with residual values down to 0%. Interest expense is calculated as the contract interest rate on the outstanding liability at all times. The contract interest rate normally comprises a variable base interest rate such as STIBOR or EURIBOR with the addition of a fixed margin. At the end of the contracts, the buses are returned to the lessor. The lessor is responsible for the residual value. No substantial secondary leasing of leased buses took place during the fiscal year.

### *Operating lease expenses per segment, SEK million*

	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	151	197
Nobina Denmark	30	22
Nobina Norway	5	8
Nobina Finland	15	17
<b>Total Regional traffic</b>	<b>201</b>	<b>244</b>
Swebus	1	2
<b>Total Interregional traffic</b>	<b>1</b>	<b>2</b>
<b>Total operational leasing expenses per segment</b>	<b>202</b>	<b>246</b>

### *Nominal value of future minimum leasing fees per segment, SEK million*

	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	350	572
Nobina Denmark	25	49
Nobina Norway	4	10
Nobina Finland	26	42
<b>Total Regional traffic</b>	<b>405</b>	<b>673</b>
Swebus	0	1
<b>Total Interregional traffic</b>	<b>0</b>	<b>1</b>
<b>Total nominal value of future minimum leasing fees per segment</b>	<b>405</b>	<b>674</b>

### *Present value of future minimum leasing fees for operating leases per segment, SEK million*

	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Nobina Sweden	322	509
Nobina Denmark	26	47
Nobina Norway	4	10
Nobina Finland	25	39
<b>Total Regional traffic</b>	<b>377</b>	<b>605</b>
Swebus	0	1
<b>Total Interregional traffic</b>	<b>0</b>	<b>1</b>
<b>Total present value of future minimum leasing fees per segment</b>	<b>377</b>	<b>606</b>

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

<i>Expected maturity 2013-03-01 and later</i>	Q1	Q2	Q3	Q4	2014/15	2015/16	2016/17	Later	Total
Future minimum leasing fees	36	34	30	29	85	45	37	109	405
Present value of future minimum leasing fees	36	34	30	28	82	42	34	91	377

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

<i>Expected maturity 2012-03-01 and later</i>	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

### *Other operating leases*

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

<i>SEK M</i>	2012-03-01 –2013-02-28	2013/14	2014/15	2015/16	2016 and later
Property rents	140	160	132	110	172
Leases for vehicles excluding buses	2	6	3	–	–
Other operating leases	–	–	–	–	–
<b>Total nominal value of other operating leases</b>	<b>142</b>	<b>166</b>	<b>135</b>	<b>110</b>	<b>172</b>

# FINANCIAL STATEMENTS

## NOTE 07 Personnel

	Group		Parent Company	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Average number of employees	8,162	9,387	67	52
of whom men	7,003	8,076	48	36
of whom women	1,159	1,311	19	16
<b>Number of employees translated to FTEs</b>	<b>7,868</b>	<b>7,008</b>	<b>61</b>	<b>53</b>
Sweden	5,641	6,927	61	52
of whom men	4,684	5,844	42	36
of whom women	957	1,083	19	16
<b>Number of employees translated to FTEs</b>	<b>5,372</b>	<b>4,916</b>	<b>61</b>	<b>53</b>
Denmark	409	469	–	–
of whom men	346	406	–	–
of whom women	63	63	–	–
<b>Number of employees translated to FTEs</b>	<b>355</b>	<b>334</b>	<b>–</b>	<b>–</b>
Norway	1,019	965	–	–
of whom men	938	855	–	–
of whom women	81	110	–	–
<b>Number of employees translated to FTEs</b>	<b>1,192</b>	<b>843</b>	<b>–</b>	<b>–</b>
Finland	1,093	1,026	–	–
of whom men	1,035	971	–	–
of whom women	58	55	–	–
<b>Number of employees translated to FTEs</b>	<b>949</b>	<b>915</b>	<b>–</b>	<b>–</b>

	2012-03-01–2013-02-28			2011-03-01–2012-02-29		
	Salaries and other remuneration	Payroll overheads	Of which pension costs	Salaries and other remuneration	Payroll overheads	Of which pension costs
Salaries and other remuneration						
Parent Company	45	24	10	38	21	9
Subsidiaries in Sweden	1,689	593	102	1,740	621	90
<b>Total Sweden</b>	<b>1,734</b>	<b>617</b>	<b>112</b>	<b>1,778</b>	<b>642</b>	<b>99</b>
Foreign subsidiaries						
Denmark	182	28	17	166	24	17
Norway	432	85	24	322	68	17
Finland	377	85	63	365	86	61
<b>Total foreign subsidiaries</b>	<b>991</b>	<b>198</b>	<b>104</b>	<b>853</b>	<b>178</b>	<b>95</b>
<b>Total Group</b>	<b>2,725</b>	<b>815</b>	<b>216</b>	<b>2,631</b>	<b>820</b>	<b>194</b>

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### NOTE 07 *cont.*

	2013-02-28		2012-02-29	
	Number	Of whom men	Number	Of whom men
<b>Board members and the Group's senior executives</b>				
Board of Directors	5	80%	5	80%
President and senior executives	16	94%	15	93%
	<b>Group</b>			
<b>Remuneration and other benefits to the Board during the year, SEK million</b>	2012-03-01 –2013-02-28		2011-03-01 –2012-02-29	
<i>Board Chairman</i>				
Jan Sjöqvist	1.6		0.6	
<i>Board members</i>				
Jan Sundling	–		0.2	
Birgitta Kantola	0.2		0.2	
Richard Cazenove	0.0		0.0	
Gunnar Reitan	0.3		0.0	
Rolf Lydahl	0.4		0.2	
<b>Total</b>	<b>2.5</b>		<b>1.2</b>	

#### **Remuneration to the chairman of the board and other board members**

Remuneration to the Chairman and other members of the Board is paid according to the decision of the Annual General Meeting. No remuneration is paid to the Board beyond that approved by the Annual General Meeting. The President receives no Board fees. During the year, Nobina AB paid pension benefits to former Board members in an amount of SEK 0.1 (0.1) million, 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 (13) million.

	2012-03-01–2013-02-28			2011-03-01–2012-02-29		
	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
<b>Distribution of salaries and other remuneration by country and between the Group's senior executives and other employees</b>						
Parent Company	15	4	30	11	1	27
Subsidiaries in Sweden	10	2	1,679	9	1	1,731
<b>Total Sweden</b>	<b>25</b>	<b>6</b>	<b>1,709</b>	<b>20</b>	<b>2</b>	<b>1,758</b>
<i>Foreign subsidiaries</i>						
Denmark	2	–	180	2	–	164
Norway	3	–	429	1	–	321
Finland	2	1	375	2	–	363
<b>Total foreign subsidiaries</b>	<b>7</b>	<b>1</b>	<b>984</b>	<b>5</b>	<b>–</b>	<b>848</b>
<b>Total Group</b>	<b>32</b>	<b>7</b>	<b>2,693</b>	<b>25</b>	<b>2</b>	<b>2,606</b>

# FINANCIAL STATEMENTS

## NOTE 07 *cont.*

	<b>Group</b>	
<b>Remuneration to the President and CEO of Nobina AB, SEK million</b>	<b>2012-03-01 –2013-02-28</b>	<b>2011-03-01 –2012-02-29</b>
Fixed fee	4.6	4.6
Variable remuneration*)	2.7	0.6
Pension expenses	1.3	1.3
Social security contributions and taxes	2.8	1.9
<b>Total</b>	<b>11.4</b>	<b>8.4</b>

\*) In addition to the stated remuneration to the President, there is also an accrued share-based payment of SEK 0.9 (1.7) million, which has not yet been utilized.

### NUMBER OF SHARES TO THE BOARD AND SENIOR EXECUTIVES

<b>Number of shares</b>	<b>2013-02-28</b>	<b>2012-02-29</b>
<b>Board Chairman</b>		
Jan Sjöqvist	1,659,583	65,363
<b>Board members</b>		
Richard Cazenove	–	–
Birgitta Kantola	–	–
Gunnar Reitan	–	–
Rolf Lydahl	373,135	14,696
<b>Senior executives</b>		
Ragnar Norbäck	2,567,258	101,112
Per Skärgård	907,574	35,745
Jan Bosaeus	660,146	26,000
Joakim Palmqvist	211,602	8,334
Tom Ward	209,470	8,250
Philipp Engedal	–	–
Sjur Brenden	264,769	10,428
Niels Peder Nielsen	–	–
Martin Pagrotsky	42,326	1,667
Anna Jonasson	–	–
Lars Åkesson	–	–
Jens Råsten	–	–
Oscar Bondesson	–	–
Peter Hagert	–	–
Henrik Birath	28,209	1,111
Peter Hansson	–	–
<b>Other senior executives</b>	<b>393,576</b>	<b>14,503</b>
<b>Total number of shares*)</b>	<b>7,317,668</b>	<b>287,209</b>

\*) The number of shares has increased due to a non-cash issue (see Note 20), which is the reason for the increase between years. The proportion of shares, out of the total number of issued shares in the company, that are held by the Board and employees, is the same as last year. The shares were granted without any cash payment and the company has paid SEK 2.3 million in social security contributions based on the value of the shares, which is considered to be a benefit. See also Note 30, Related party transactions.

### REMUNERATION TO THE 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 basic principle, a six month mutual

termination period applies between the company and the executive. In addition, a maximum of six months of remuneration is payable should employment be terminated by the company. For the 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 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 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 could amount to a maximum of 140% of the President's fixed annual salary, to be paid out over a period of 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.

### Pension terms for the President

The retirement age for the president is 62 years in the Parent Company. 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's commitment to the President ends at retirement, at the age of 65. 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. Termination salary is 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

In addition to the taxable benefits described above, benefits include health 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.

	<b>2013-02-28</b>		<b>2012-02-29</b>	
	<i>Of whom</i>		<i>Of whom</i>	
<b>PARENT COMPANY</b>	<b>Number</b>	<b>men</b>	<b>Number</b>	<b>men</b>
Board of Directors	5	80%	5	80%
President and senior executives	5	100%	5	100%

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### NOTE 08 *Depreciation/amortization and impairment of PPE and intangible assets*

	Group		Parent Company	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>SEK M</b>				
Goodwill	–	84	–	–
Other intangible assets	7	5	7	5
Costs for improvements on third-party properties	4	3	–	–
Equipment, tools, fixtures and fittings	23	21	10	8
Vehicles	430	376	–	–
<b>Total</b>	<b>464</b>	<b>489</b>	<b>17</b>	<b>13</b>

Impairment losses for the year on available-for-sale buses belong to these segments: Nobina Sweden SEK 3 (8) million, Nobina Finland SEK 2 (4) million and Nobina Norway SEK 4 (1) million.

### NOTE 09 *Interest income and similar profit/loss items*

	Group		Parent Company	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>SEK M</b>				
Financial income	5	–	–	–
Interest income	4	4	2	–
Interest income from Group companies	–	–	66	44
<b>Total</b>	<b>9</b>	<b>4</b>	<b>68</b>	<b>44</b>

The Group earns interest on its bank deposits according to an interest rate based on the bank's daily investment interest rates. Of the above interest income and similar profit/loss items, SEK 5 (4) million was paid during the year.

### NOTE 10 *Interest expenses and similar profit/loss items*

	Group		Parent Company	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>SEK M</b>				
Interest expense, finance leases	–170	–148	–	–
Interest expense, bond loans	–80	–107	–	–
Other financial expenses	–20	–20	–	–1
Interest expenses to Group companies	–	–	–4	–
Realized and unrealized exchange gains/losses, net	6	4	–4	–
<b>Total</b>	<b>–264</b>	<b>–271</b>	<b>–8</b>	<b>–1</b>

Paid interest expenses amount to SEK –245 (–248) million. The interest expenses pertain to liabilities that have been recognized at amortized cost.

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### NOTE 11 Taxes

	<b>Group</b>		<b>Parent Company</b>	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
<b>SEK M</b>				
Tax attributable to previous years	–1	–	–	–
Current tax	–	–	–	–
Recognition of prior, unrecognized deferred taxes	70	–	–	–
<b>Total tax recognized in the income statement</b>	<b>69</b>	<b>–</b>	<b>–</b>	<b>–</b>

The corporate tax rate in Norway is 28%, Denmark 25%, Finland 24.5% and Sweden 22%. Current tax was lowered by SEK 3 (60) million due to the increase in the Group's loss deduction.

<b>Group</b>		
<b>Tax assets and tax liabilities</b>	2013-02-28	2012-02-29
Deferred tax assets, gross		
Postponed depreciation/amortization, impairment and adjustments to fair value, other PPE	1	–
Postponed expenses for provisions	6	–
Doubtful debts	3	–
Tax loss carryforwards	464	540
<b>Total</b>	<b>474</b>	<b>540</b>
Deduction for tax loss carryforwards not recognized	–350	–533
<b>Total deferred tax assets</b>	<b>124</b>	<b>7</b>
<i>Deferred tax assets, net</i>		
Opening carrying amount	7	7
Change in result for the period	117	–
Reserved offset of tax liabilities/assets, other reclassification	–	–
<b>Closing carrying amount, net</b>	<b>124</b>	<b>7</b>
<i>Deferred tax liabilities, gross</i>		
Faster rate of depreciation/amortization and adjustments to fair value, other PPE	–47	–
<b>Total deferred tax liabilities</b>	<b>–47</b>	<b>–</b>
<i>Deferred tax liabilities, net</i>		
Opening carrying amount	–	–
Change in result for the period	–47	–
Reserved offset of tax liabilities/assets, other reclassification	–	–
<b>Closing carrying amount, net</b>	<b>–47</b>	<b>–</b>
<b>Total net tax assets and tax liabilities</b>	<b>77</b>	<b>7</b>
<b>Net increase (+)/net decrease (–) of tax assets/liabilities</b>	<b>70</b>	<b>–</b>

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### NOTE 11 *cont.*

	<b>Group</b>		<b>Parent Company</b>	
<b>Non-recognized, deferred tax assets, SEK M</b>	<b>2013-02-28</b>	<b>2012-02-29</b>	<b>2013-02-28</b>	<b>2012-02-29</b>
Opening non-recognized amount	533	482	112	113
Utilization/addition of previously non-capitalized loss carryforwards	3	60	-12	5
Postponed depreciation/amortization, impairments and fair value adjustments	14	-9	-	-
Group contributions	-	-	-2	-5
Non-taxable revenue and non-deductible expenses	1	-1	-	-
Other temporary differences	1	-2	-	-
Reclassifications from previous years	-32	-	-13	-1
Change in applicable tax rates	-56	-	-15	-
Change for the period, recognized in the income statement	-107	-	-	-
Exchange-rate differences	-7	3	-	-
<b>Total deferred non-recognized tax assets</b>	<b>350</b>	<b>533</b>	<b>70</b>	<b>112</b>
Offset of deferred tax liabilities	-	-39*	-	-
<b>Total deferred non-recognized tax assets</b>	<b>350</b>	<b>494</b>	<b>70</b>	<b>112</b>

\*) The net amount includes deferred tax liability of SEK 39 million pertaining to finance leases.

	<b>Group</b>		<b>Parent Company</b>	
<b>Expected maturity of both recognized and unrecognized tax loss carryforwards, SEK million</b>	<b>2013-02-28</b>	<b>2012-02-29</b>	<b>2013-02-28</b>	<b>2012-02-29</b>
2014/15	12	16	-	-
2015/16	18	19	-	-
2016/17	16	17	-	-
2017/18	16	17	-	-
2018/19	-	-	-	-
2019/20	-	-	-	-
Unlimited	1,993	2,031	318	431
<b>Total</b>	<b>2,055</b>	<b>2,100</b>	<b>318</b>	<b>431</b>

## FINANCIAL STATEMENTS

### NOTE 12 *Intangible assets*

<i>Distribution of goodwill per segment, SEK million</i>	<i>Group</i>	
	<i>2013-02-28</i>	<i>2012-02-29</i>
Nobina Sweden	383	383
Nobina Denmark	–	–
Nobina Norway (goodwill corresponding to NOK 118 million)	134	141
Nobina Finland	29	29
<b>Total Regional traffic</b>	<b>546</b>	<b>553</b>
Swebus	45	45
<b>Total Interregional traffic</b>	<b>45</b>	<b>45</b>
<b>Total Group goodwill</b>	<b>591</b>	<b>598</b>

Group management has carried out the usual "impairment test." In the assessment of cash-generating units' recoverable amount used for the assessment of any impairment requirement of goodwill, several assumptions of future conditions and estimates of variables were made in order to forecast future cash flows. Forecasts for future cash flow are based on the best possible assessments of future income and operating expenses, which in turn are based on the company's business plans, historical trends, general market conditions and other available information. The discounted cash-flow value, given an explicit four-year (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 rate was calculated separately for each business area over a five-year period. Thereafter, the rate of growth was estimated at zero percent. The cash flow forecasts are calculated at present value with a yield requirement, WACC, of 9.8 (14.0) % before tax. The discount rate fell after the bond loan was refinanced in autumn 2012, when the size and cost of the loan were substantially reduced. There is a safety margin between the value-in-use and 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. The result of that assessment showed that last year, we had a carrying amount for Nobina Norway's allocated goodwill that exceeded the recoverable amount by SEK 84 million so goodwill was written down by that same amount.

	<i>2013-02-28</i>				<i>2012-02-29</i>			
	<i>Nobina Sweden</i>	<i>Nobina Norway</i>	<i>Nobina Finland</i>	<i>Swebus</i>	<i>Nobina Sweden</i>	<i>Nobina Norway</i>	<i>Nobina Finland</i>	<i>Swebus</i>
Forecasted operational profit margin	5%	2%	5%	6%	5%	2%	6%	8%
Growth in sales during the 4-year (5-year) period	4%	6%	2%	8%	2%	10%	4%	3%
Discount rate before tax with present value calculation of the estimated future cash flows	9.8%	9.8%	9.8%	9.8%	14%	14%	14%	14%

<i>Other intangible assets, SEK M</i>	<i>Group</i>		<i>Parent Company</i>	
	<i>2013-02-28</i>	<i>2012-02-29</i>	<i>2013-02-28</i>	<i>2012-02-29</i>
<b>Cost</b>				
Opening cost	35	24	34	10
Procurement	14	10	13	10
Reclassification	–	1	1	14
<b>Closing cost</b>	<b>49</b>	<b>35</b>	<b>48</b>	<b>34</b>
<b>Accumulated amortization</b>				
Opening accumulated amortization	–21	–15	–21	–2
Amortization for the year	–7	–5	–7	–5
Reclassification	–	–1	–	–14
<b>Closing accumulated amortization</b>	<b>28</b>	<b>–21</b>	<b>28</b>	<b>–21</b>
<b>Residual value according to plan</b>	<b>21</b>	<b>14</b>	<b>20</b>	<b>13</b>

Other intangible assets pertain primarily to internal software development.

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### NOTE 13 *Property, plant and equipment*

	<b>Group</b>		<b>Parent Company</b>	
<i>Cost for improvements on third-party properties, SEK M</i>	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<b>Cost</b>				
Opening cost	22	16	–	–
Procurement	17	6	–	–
Sales/disposals	–2	–	–	–
Translation difference	–1	–	–	–
<b>Closing cost</b>	<b>36</b>	<b>22</b>	<b>–</b>	<b>–</b>
<b>Accumulated depreciation</b>				
Opening accumulated depreciation	–13	–11	–	–
Depreciation for the year	–4	–3	–	–
Sales/disposals	2	–	–	–
Reclassification	–	1	–	–
<b>Closing accumulated depreciation</b>	<b>–15</b>	<b>–13</b>	<b>–</b>	<b>–</b>
<b>Residual value according to plan</b>	<b>21</b>	<b>9</b>	<b>–</b>	<b>–</b>

	<b>Group</b>		<b>Parent Company</b>	
<i>Equipment, tools, fixtures and fittings, SEK M</i>	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<b>Cost</b>				
Opening cost	188	146	69	13
Procurement	19	46	9	29
Sales/disposals	–23	–	–5	–
Reclassification	–	–4	–	27
Translation difference	–1	–	–	–
<b>Closing cost</b>	<b>183</b>	<b>188</b>	<b>73</b>	<b>69</b>
<b>Accumulated depreciation</b>				
Opening accumulated depreciation	–124	–104	–39	–3
Sales/disposals	19	–	2	–
Depreciation for the year	–23	–21	–10	–8
Reclassification	–	1	–	–28
Translation difference	1	–	–	–
<b>Closing accumulated depreciation</b>	<b>–127</b>	<b>–124</b>	<b>–47</b>	<b>–39</b>
<b>Residual value according to plan</b>	<b>56</b>	<b>64</b>	<b>26</b>	<b>30</b>

	<b>Group</b>		<b>Parent Company</b>	
<i>Vehicles, SEK M</i>	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<b>Cost</b>				
Opening cost	4,926	4,602	–	–
Procurement	1,206	798	–	–
Sales/disposals	–265	–505	–	–
Translation difference	–76	31	–	–
<b>Closing cost</b>	<b>5,791</b>	<b>4,926</b>	<b>–</b>	<b>–</b>
<b>Accumulated depreciation</b>				
Opening accumulated depreciation	–1,403	–1,389	–	–
Sales/disposals	199	357	–	–
Depreciation for the year	–422	–363	–	–
Translation difference	17	–8	–	–
<b>Closing accumulated depreciation</b>	<b>–1,609</b>	<b>–1,403</b>	<b>–</b>	<b>–</b>
<b>Accumulated impairment</b>				
Opening accumulated impairment	–17	–24	–	–
Sales/disposals	11	20	–	–
Impairment for the year	–8	–13	–	–
<b>Closing accumulated impairment</b>	<b>–14</b>	<b>–17</b>	<b>–</b>	<b>–</b>
<b>Residual value according to plan</b>	<b>4,168</b>	<b>3,506</b>	<b>–</b>	<b>–</b>

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

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### NOTE 14 Participations in Group companies (Parent Company)

SEK M	Parent Company		SEK M	Parent Company	
	2013-02-28	2012-02-29		2013-02-28	2012-02-29
<b>Cost</b>			<b>Accumulated impairment</b>		
Opening balance	2,176	2,176	Opening balance	404	404
Capital infusion	181	–	<b>Closing balance</b>	<b>404</b>	<b>404</b>
<b>Closing balance</b>	<b>2,357</b>	<b>2,176</b>	Carrying amount	1,953	1,772

SEK M	Corporate registration number	Shareholders' equity	Number of shares	Profit/loss for the year	Value of ownership share (%)	Share capital	Carrying amount 28 Feb. 2013
Nobina Fleet AB (Stockholm)	556031-1812	0	70,000	1	100	7	16
<i>Subsidiaries of Nobina Fleet AB:</i>							
Nobina Fleet Danmark ApS (Glostrup)	31586429	0	1,250	–4	100	0	
Nobina Europe Holding AB (Stockholm)	556028-1122	507	300	–161	100	0	1,937
<i>Subsidiaries of Nobina Europe Holding AB:</i>							
<b>Swedish commercial companies</b>							
Nobina Europe AB (Stockholm)	556031-8569	165	160,000	–131	100	16	
<i>Subsidiaries of Nobina Europe AB:</i>							
Nobina Busco AB (Stockholm)	556583-0527	1	1,000	–16	100	0	
Swebus Express AB (Stockholm)	556358-3276	9	5,000	–7	100	5	
Nobina Sverige AB (Stockholm)	556057-0128	527	3,000	96	100	0	
<i>Subsidiaries of Nobina Sverige AB:</i>							
Nobina Spår AB (Stockholm)	556416-2419	1	1,000	0	100	0	
<b>Foreign commercial subsidiaries</b>							
Nobina Finland Oy Ab (Helsinki)	0505988-8	69	2,000	8	100	28	
<i>Subsidiaries of Nobina Finland Oy Ab:</i>							
Nobina Finland West Oy Ab (Helsinki)	2175179-4	–17	2,600	0	100	0	
Nobina Finland South Oy Ab (Helsinki)	2175178-6	–13	2,600	1	100	0	
Nobina Finland East Oy Ab (Helsinki)	2175186-6	0	2,600	0	100	0	
Nobina Norge AS (Oslo)	915768237	40	2,816	–115	100	32	
<i>Subsidiaries of Nobina Norge AS:</i>							
Nobina (Norway) AS (Oslo)	992097353	0	100	21	100	0	
Nobina Danmark A/S (Copenhagen)	29513376	8	1,250	–30	100	1	
<b>Dormant companies</b>							
Karlstadsbuss AB (Stockholm)	556051-2039	31	3,000	0	100	3	
Saltsjöbuss AB (Stockholm)	556210-1500	1	2,500	0	100	0	
<b>Total</b>							<b>1,953</b>

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### NOTE 15 *Receivables from Group companies*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<b>Cost</b>				
Opening cost	–	–	400	345
Change for the year	–	–	44	55
<b>Closing cost</b>	<b>–</b>	<b>–</b>	<b>444</b>	<b>400</b>

### NOTE 16 *Inventories*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
Spare parts	23	22	–	–
Fuel	21	30	–	–
<b>Total</b>	<b>44</b>	<b>52</b>	<b>–</b>	<b>–</b>

### NOTE 17 *Accounts receivable*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
Trade receivables	381	482	–	–
Provision for doubtful debts	–12	–6	–	–
<b>Total</b>	<b>369</b>	<b>476</b>	<b>–</b>	<b>–</b>

<b>Accounts receivable aging analysis, SEK million</b>	Accounts receivable 2013-02-28	Not due during reporting period	Fall due within <30 days after the due date	Fall due within 31–60 days after the due date	Fall due within 61–90 days after the due date	Fall due within 91–120 days after the due date	Fall due more than 120 days after the due date
Trade receivables	381	266	84	3	11	3	14

<b>Accounts receivable aging analysis, SEK million</b>	Accounts receivable 2012-02-28	Not due during reporting period	Fall due within <30 days after the due date	Fall due within 31–60 days after the due date	Fall due within 61–90 days after the due date	Fall due within 91–120 days after the due date	Fall due more than 120 days after the due date
Trade receivables	482	400	34	29	13	2	4

<b>Provision for doubtful debts, SEK million</b>	Group	
	2013-02-28	2012-02-29
Opening balance	–6	–11
Reversals for the year	–1	4
Loan losses	1	0
Provisions for the year	–6	1
<b>Total</b>	<b>–12</b>	<b>–6</b>

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

## FINANCIAL STATEMENTS

### NOTE 18 *Prepaid expenses and accrued income*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
Accrued transport income	147	95	–	–
Other prepaid expenses	93	113	11	9
<b>Total</b>	<b>240</b>	<b>208</b>	<b>11</b>	<b>9</b>

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*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
Cash and cash equivalents	137	107	48	65
Restricted bank accounts	175	153	56	56

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 deposits for 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 *Changes in equity*

#### SHARE CAPITAL

According to the Articles of Association for Nobina AB, share capital must be at least SEK 100,000,000 and at most SEK 400,000,000. According to the Articles of Association, the number of shares must be at least 250,000,000 and at most 1,000,000,000. The company's shares consist of ordinary shares, which entitle the holder to one vote per share. On 24 October 2012, the Board decided the following:

- To decrease the company's share capital by SEK 216,874,809.30 without cancellation of shares. The reduction amount will be used for allocation to a fund. The purpose of the decrease is to decrease the shares' quotient value.
- To carry out a new share issue, financed with non-cash consideration of SEK 180,203,414.40, which corresponds to 600,678,048 shares. The right to subscribe for shares was granted to the holders of the bond, which was issued by the subsidiary, Nobina Europe AB (publ).
- To carry out a private placement of SEK 2,101,529.40 (7,005,098 shares) granted to certain individuals who are employees or Board members of the Group and who are also shareholders.
- To increase the company's share capital by SEK 37,956,677.10 via a bond issue in order to restore share capital. The issue amount was added to share capital from the company's unrestricted equity. No new shares were given out in conjunction with the increase to share capital.

Reconciliation of number of shares 2013-02-28	Ordinary shares
Opening balance	24,928,139
Subscription for new shares via a non-cash issue	600,678,048
Subscription for new shares	7,005,098
Redemption of shares	–
<b>Closing balance</b>	<b>632,611,285</b>

Reconciliation of number of shares 2012-02-29	Ordinary shares
Opening balance	24,928,139
Subscription for new shares	–
Redemption of shares	–
<b>Closing balance</b>	<b>24,928,139</b>

#### Ordinary shares

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

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

## FINANCIAL STATEMENTS

### NOTE 21 Earnings per share

	<b>Group</b>	
	2012-03-01 –2013-02-28	2011-03-01 –2012-02-29
Average number of ordinary shares during the period (000s)	238,033	24,928
Recognized profit/loss (SEK M)	59	–230
Adjusted earnings (SEK M)	59	–230
<b>Earnings loss per share (SEK)</b>	<b>0.25</b>	<b>–9.23</b>

Basic earnings per share are calculated by taking the net profit attributable to Parent Company shareholders and dividing it by the average number of outstanding shares.

### NOTE 22 Provisions for pensions and similar commitments

	<b>Group</b>		<b>Parent Company</b>	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<b>Commitments and pension expenses</b>				
Present value of pension commitments	157	187	4	3
Fair value of plan assets	–138	–157	–	–
Pension commitments after deductions for plan assets	19	30	–	–
Capitalized actuarial profits (+)/losses (–)	–10	–17	–1	–1
Net provisions (+)/assets (–) for pension commitments	9	13	3	2
Of which recognized as provisions	25	27	3	2
Of which recognized as assets	16	14	–	–

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

	<b>Group</b>	
<b>SEK M</b>	2013-02-28	2012-02-29
Cost pertaining to services rendered during the current period	1	1
Interest expense	4	7
Expected return on plan assets	–5	–7
Actuarial loss (gain), net	–6	4
Social security contributions	2	–
<b>Pension expenses, net</b>	<b>–4</b>	<b>5</b>

#### Significant actuarial assumptions

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

The discount rate is based on the estimated discount rate on the yield of mortgage bonds.

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

The expected average remaining term of service is estimated based on the employees' current age distribution and the expected employee turn-over rate.

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

The Nobina Group's pension expenses amounted to SEK 216 (194) million, of which SEK –3 (–5) million pertains to defined-benefit plans.

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

	2013-02-28	2012-02-29
Discount rate	2.7%	3.4%
Expected return on plan assets	3.5%	4.6%
Expected rate of salary increases	3.5%	4.7%
Future rate of pension increases	1.9%	2.3%

**Present value of pension commitments:**

	<b>Group</b>	
<b>SEK M</b>	2013-02-28	2012-02-29
Opening balance	187	197
Benefits earned during the year	2	1
Interest expenses	4	7
Benefits paid	–20	–23
Actuarial gains (+)/losses (–)	–11	–
Exchange-rate differences	–5	5
<b>Total at year-end</b>	<b>157</b>	<b>187</b>

# FINANCIAL STATEMENTS

## NOTE 22 cont.

<b>Fair value of plan assets:</b>			<b>Net assets/provisions for pension commitments</b>		
<b>SEK M</b>	<b>Group</b>		<b>SEK M</b>	<b>Group</b>	
	2013-02-28	2012-02-29		2013-02-28	2012-02-29
Opening balance	157	168	Opening balance	30	29
Expected return on plan assets	6	7	Benefits paid	-20	-23
Funds contributed by employer	1	1	Funds contributed by employer	-1	-1
Funds paid	-16	-19	Funds paid	16	19
Actuarial gains(+)/losses(-)	-5	-6	Actuarial loss/profit (net)	-6	6
Exchange-rate differences	-5	6	Exchange-rate differences	-	-
<b>Total at year-end</b>	<b>138</b>	<b>157</b>	<b>Closing balance, net assets (-)/provisions (+) for pension commitments</b>	<b>19</b>	<b>30</b>
<b>Return on plan assets</b>			<b>Actuarial net gains/losses:</b>		
Expected return on plan assets	5	7	<b>SEK M</b>	2013-02-28	2012-02-29
Actuarial profit (+)/loss (-)	0	4	Opening balance actuarial gains(+) /losses (-)	-17	-13
<b>Actual return on plan assets</b>	<b>5</b>	<b>11</b>	Reclassifications from previous years	1	2
			Actuarial profits (+)/losses (-), pension commitments	11	-
			Actuarial profits (+)/losses (-), plan assets	-5	-6
			<b>Closing balance actuarial gains (+) /losses (-)</b>	<b>-10</b>	<b>-17</b>

### ALLOCATION OF PLAN ASSETS

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

<b>SEK M</b>	<b>Group</b>			
	2013-02-28	%	2012-02-29	%
Interest-bearing securities, cash and cash equivalents	75	54	95	60
Shares and other investments	63	46	62	40
<b>Total</b>	<b>138</b>	<b>100</b>	<b>157</b>	<b>100</b>

<b>Allocation of plan assets per segment,</b>			<b>Group</b>	
<b>SEK million</b>	2013-02-28	2012-02-29		
Nobina Sweden	18	25		
Nobina Denmark	-	-		
Nobina Norway	120	132		
Nobina Finland	-	-		
<b>Total Regional traffic</b>	<b>138</b>	<b>157</b>		
Swebus	-	-		
<b>Total Interregional traffic</b>	<b>-</b>	<b>-</b>		
Central functions	-	-		
<b>Total plan assets</b>	<b>138</b>	<b>157</b>		

### Future payments

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

<b>Future payments, SEK million</b>	<b>Group</b>				
	2013/14	2014/15	2015/16	2016/17	2017/18
Expected paid benefits	18	18	13	12	19

## FINANCIAL STATEMENTS

### NOTE 23 Other provisions

	Group	
<b>Other provisions, SEK M</b>	2013-02-28	2012-02-29
Provision for onerous contracts	8	29
Provision for damage to vehicles and third-parties	27	22
Provision for environmental commitments	10	10
<b>Total</b>	<b>45</b>	<b>61</b>

	Group	
<b>Provision for onerous contracts, SEK million</b>	2013-02-28	2012-02-29
Opening balance	29	41
Reversals for the year	-21	-12
Provisions for the year	-	-
<b>Closing balance</b>	<b>8</b>	<b>29</b>

	Group	
<b>Provision for damage to vehicles and third parties, SEK million</b>	2013-02-28	2012-02-29
Opening balance	22	31
Reversals for the year	-	-9
Provisions for the year	5	-
Exchange difference	-	-
<b>Closing balance</b>	<b>27</b>	<b>22</b>

	Group	
<b>Provision for environmental commitments for leased land and facilities, SEK million</b>	2013-02-28	2012-02-29
Opening balance	10	9
Reversals for the year	-	-
Provisions for the year	-	1
<b>Closing balance</b>	<b>10</b>	<b>10</b>

### NOTE 24 Borrowing – bond loans and other liabilities

	2013-02-28			2012-02-29		
	Bond loans	Financial lease liabilities	Factoring	Bond loans	Financial lease liabilities	Factoring
2012/13	-	-	-	743	645	36
2013/14	-	727	-	-	563	-
2014/15	-	620	-	-	461	-
2015/16	-	643	-	-	482	-
2017/18	551	626	-	-	-	-
Later	-	1,162	-	-	996	-
	<b>551</b>	<b>3,778</b>	<b>-</b>	<b>743</b>	<b>3,147</b>	<b>36</b>
Accrual of financial expenses	-33	-	-	-4	-	-
<b>Total liability</b>	<b>518</b>	<b>3,778</b>	<b>-</b>	<b>739</b>	<b>3,147</b>	<b>36</b>
Of which short-term portion	-	496	-	739	645	36
Of which long-term portion	518	3,282	-	-	2,502	-

#### Interest rate and currency composition of borrowings

<b>Loan currency</b>	Nominal amount	Amount in SEK million	Interest, weighted average
Corporated bonds, SEK	551	551	12.72
Financial lease liabilities, SEK	2,529	2,529	5.02
Financial lease liabilities, EUR	47	394	3.14
Financial lease liabilities, NOK	670	756	5.44
Financial lease liabilities, DKK	88	99	3.88
<b>Total loan liability</b>		<b>4,329</b>	<b>6.08</b>

Non-current liabilities consist of corporate bonds in Nobina Europe AB for original amounts of SEK 519 million and EUR 3.9 million, issued on 31 October 2012 in conjunction with refinancing a prior bond. The corporate bonds have a fixed interest rate of 11.00 %, paid semi-annually (1 May and 1 November) and full payment of the liability is due on 31 October 2017. Nobina Europe has the option of repaying the corporate bond before that date, without incurring any additional charges. As of 28 February, the total amount of outstanding corporate bonds in SEK was 551 million. Having issued these corporate bonds, Nobina Europe AB and its subsidiaries are obligated to fulfil a number of financial covenants. For example, because of these covenants, Nobina Europe AB and its subsidiaries have restrictions on their options to raise additional loans, enter into finance lease agreements or sale-and-leaseback agreements, make certain types of investments and divest assets. In addition, Nobina Europe AB and its subsidiaries have certain restrictions on issuing dividends. All of these covenants were fulfilled at 28 February 2013 and during the fiscal year. 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.

## FINANCIAL STATEMENTS

### NOTE 25 *Other non-current liabilities*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
Employee withholding taxes	66	59	1	1
Other current liabilities	87	86	2	–
<b>Total</b>	<b>153</b>	<b>145</b>	<b>3</b>	<b>1</b>

### NOTE 26 *Accrued expenses and deferred income*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
Deferred income	168	146	–	–
Accrued salaries	302	282	5	7
Other accrued personnel costs	163	145	7	6
Accrued interest expense	20	6	–	–
Other accrued expenses	166	154	4	5
<b>Total</b>	<b>819</b>	<b>733</b>	<b>16</b>	<b>18</b>

### NOTE 27 *Pledged assets and contingent liabilities*

SEK M	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<i>Pledged assets for bond loans</i>				
Pledged assets pertaining to shares/net assets in subsidiaries	784	728	–	–
Other pledged assets	518	427	–	–
Chattel mortgage	358	316	–	–
<i>Other pledged assets</i>				
Other pledged assets	–	–	121	106
<i>Contingent liabilities</i>				
Guarantee of lease obligations and other obligations	35	–	4,219	3,821
<b>Total</b>	<b>1,695</b>	<b>1,471</b>	<b>4,340</b>	<b>3,927</b>

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 7.4 million, and for the fulfilment guarantees of NOK 100 million issued by Atradius for Norwegian and Danish public transport authorities. Nobina Norge AS has two ongoing disputes with Skyss Sunnhorland and Nordhordland, amounting to NOK 31 (SEK 36) million. Nobina Sverige AB has pledged a chattel mortgage of SEK 50 million as security for an overdraft facility at Danske Bank.

As security for Nobina Europe AB's issued bonds, Nobina Sverige AB, Nobina Finland Oy, Nobina Busco AB, Nobina Norge AS, Swebus Express AB, Nobina Danmark A/S and Nobina Spår AB have provided guarantees. In addition, the following assets have been pledged as security for the bonds.

- All shares in Nobina Sverige AB, Nobina Finland Oy, Nobina Busco AB, Nobina Norge AS, Swebus Express AB, Nobina Danmark A/S, Nobina Spår AB.
- Lien on assets in Nobina Sverige AB for an amount of SEK 100,000,000.
- Chattel mortgages in Nobina Finland Oy for a total amount of EUR 5,230,645 plus interest.
- Buses owned by Nobina Busco AB for a total value of SEK 15 million.
- Chattel mortgages in Nobina Busco AB branch office in Finland for a total amount of EUR 17,561,687 plus interest.
- Mortgages on busses owned by Nobina Busco AB branch office in Finland for a total amount of EUR 1,228,090 plus interest.
- Assets in Nobina Busco Norge (Norwegian branch office of Nobina Busco AB) for a total maximum amount of EUR 76,500,000.
- Assets in Nobina Norge AS for a total maximum amount of EUR 76,500,000.

## FINANCIAL STATEMENTS

### NOTE 27 *cont.*

<i>In conjunction with issuing the corporate bond the following shares in subsidiaries have been pledged:</i>	<i>Group</i>		<i>Parent Company</i>	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
Shares in Nobina Sverige AB	528	432	–	–
Shares in Swebus Express AB	9	8	–	–
Shares in Nobina Finland Oy Ab	37	29	–	–
Shares in Nobina Busco AB	1	8	–	–
Shares in Nobina Norge AS	40	95	–	–
Shares in Nobina Danmark AS	9	9	–	–
Shares in Nobina Spår AB	1	1	–	–
Shares in Nobina Europe AB	159	146	–	–
<b>Total</b>	<b>784</b>	<b>728</b>	<b>–</b>	<b>–</b>

### 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 28 February 2013, the company had outstanding derivative instruments 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 is defined as the risk that cash and cash equivalents are not available and that financing cannot be obtained when required. The Group is able to obtain accounts receivable financing of SEK 300 million and it also has an overdraft facility of SEK 50 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 RISK**

Interest rate risk refers to the risk that fluctuations in market interest rates will negatively affect the Group's net interest income. The rate at which interest rate fluctuations affect net interest income depends on the fixed interest period of the loans. The Group is primarily exposed to interest rate risk through the company's 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 41.5 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.

#### **Refinancing risk**

The Group is exposed to a refinancing risk, since an existing bond loan of SEK 551 million falls due on 1 November 2017. The refinancing risk is mitigated by the fact that most of the bond holders are also shareholders.

#### **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 this has had an impact on 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). The Group's finance policy states that currency exposures can be hedged.

Transaction exposure – the Nobina Group was exposed during the year to exchange rate fluctuations on the bond loan that it had at the time, which was raised in an amount of EUR 85 million. Once the bond was refinanced on 31 October 2012, the majority of the bond was converted to SEK, with a remaining euro tranche of EUR 3.9 million. Accordingly, the currency risk was substantially reduced. A weakening of the SEK by 10% against EUR would increase the Group's interest expense by SEK 400,000 million per year. It would also affect income because the nominal amount in SEK would increase by almost SEK 4 million, which would be recognized as an unrealized foreign exchange loss until actual repayment of the euro tranche occurs.

The Group is also exposed to exchange rate fluctuations through its purchases of diesel, which is traded in the international commodities markets in USD. This currency risk can be hedged by entering into diesel derivatives in local currency. 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 fluctuations in the 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 80%. The company had no outstanding diesel derivatives as of 28 February 2013.

#### **INDEXATION RISK**

Since the contractual agreements require cost compensation in accordance with agreed indexes (including inflation) that do not quite follow cost trends in the industry, full compensation for cost increases is not received, since the industry's costs are rising faster than the compensation received via indexation from transport authorities.

## FINANCIAL STATEMENTS

### NOTE 29 *Financial instruments*

<b>Group Financial assets, SEK million</b>	<b>Carrying amount</b>	
	<b>2013-02-28</b>	<b>2012-02-29</b>
Loan and accounts receivable		
Non-current receivables	1	1
Trade receivables	369	476
Other receivables	81	61
Restricted cash and cash equivalents	175	153
Cash and cash equivalents	137	107
<i>Financial assets measured at fair value through profit and loss</i>		
<b>Total Group</b>	<b>763</b>	<b>798</b>

<b>Group Financial liabilities, SEK million</b>	<b>Carrying amount</b>	
	<b>2013-02-28</b>	<b>2012-02-29</b>
<i>Other financial liabilities</i>		
Interest-bearing liabilities, loans	4,329	3,949
Accounts payable	465	425
Other liabilities	153	145
<i>Financial liabilities measured at fair value through profit and loss</i>	–	–
<b>Total Group</b>	<b>4,947</b>	<b>4,519</b>

<b>Parent Company Financial assets, SEK million</b>	<b>Carrying amount</b>	
	<b>2013-02-28</b>	<b>2012-02-29</b>
Loan and accounts receivable		
Receivables from Group companies, interest-bearing	583	485
Other receivables	2	6
Restricted cash and cash equivalents	56	56
Cash and cash equivalents	48	65
<i>Financial assets measured at fair value through profit and loss</i>		
<b>Total Group</b>	<b>689</b>	<b>612</b>

<b>Parent Company Financial liabilities, SEK million</b>	<b>Carrying amount</b>	
	<b>2013-02-28</b>	<b>2012-02-29</b>
<i>Other financial liabilities</i>		
Liabilities to Group companies, interest-bearing	109	86
Accounts payable	14	22
Other liabilities	3	1
<i>Financial liabilities measured at fair value through profit and loss</i>	–	–
<b>Total Group</b>	<b>126</b>	<b>109</b>

#### **FAIR VALUE**

The carrying amounts of financial assets and liabilities essentially correspond to their fair values. For the bond loan, however, more information is provided below.

Fair value is determined on the basis of official market quotes on the reporting date. If no such information exists, 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 reporting date.

On 31 October 2012, the subsidiary, Nobina Europe AB issued a bond loan for a nominal amount of SEK 519 million and EUR 3.9 million. The interest coupon on the bond capital is 11.00 % per year. The bonds were listed on NasdaqOMX in Stockholm on 21 December 2012. The fair value is estimated to be the same as the nominal value of the bonds. No known trade has taken place. 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 corresponds to the fair value.

## FINANCIAL STATEMENTS

### NOTE 30 Related party transactions

Funds managed by Bluebay Asset Management, Avenue Capital, Sothic Capital and Invesco, all participated along with other investors in the refinancing of Nobina Europe's bond loan during the 2012/2013 financial year. In conjunction with the refinancing, there was a non-cash issue in Nobina AB of 600,678,048 shares at SEK 30.08 per share. As payment for the shares, the former bond holders (i.e. those entitled to subscribe) provided former bonds issued by Nobina Europe AB valued at SEK 180.7 million. The remaining former bonds were used to obtain new bonds in Nobina Europe AB for new nominal loan amounts of SEK 519 million and EUR 3.9 million.

In addition, there was a private placement of shares in Nobina AB for a

value of SEK 2.1 million to employees and Board members of the Group who are also shareholders. This was done so that they would not be affected by the dilution caused by the refinancing.

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	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<b>Related party transactions</b>				
Sales of services to intra-Group companies	–	–	160	151
Purchase of services from intra-Group companies	–	–	–2	–6
Personnel costs				
Board of Directors	–3	–1	–3	–1
Senior executives	–32	–25	–15	–11
Pension expenses	–8	–5	–3	–2
Social security contributions	–11	–7	–5	–4
<b>Total personnel costs</b>	<b>–54</b>	<b>–38</b>	<b>–26</b>	<b>–18</b>
Profit from participations in intra-Group companies	–	–	8	21
Interest income from intra-Group companies	–	–	66	44
Interest expenses to intra-Group companies	–	–	–4	–
Interest expenses to bond-holders	–80	–107	–	–
	Group		Parent Company	
	2013-02-28	2012-02-29	2013-02-28	2012-02-29
<b>Related party transactions</b>				
Receivables from intra-Group companies	–	–	583	485
Liabilities to intra-Group companies	–	–	–109	–86
Pension provision CEO	–3	–2	–3	–2
Bond loans	–551	–743	–	–

### NOTE 31 Exchange rates

	Average		Closing day	
	2012-02-29 –2013-02-28	2011-03-01 –2012-02-29	2013-02-28	2012-02-29
<b>Exchange rates</b>				
EUR	8.666	9.028	8.455	8.830
NOK	1.164	1.163	1.129	1.181
DKK	1.164	1.212	1.135	1.188

### NOTE 32 Subsequent events

Nobina won a tender for a transport contract in the city of Malmö. The scope is approximately 100 buses. The term of the contract is 10 years, with the option to extend for an additional 3 years. The estimated value over the entire term is almost SEK 2.5 billion. When the contract comes into force in June 2014, Nobina will be responsible for all city bus services in the city of Malmö.

Nobina won a tender for 31 buses in Helsinki. This new assignment makes Nobina the largest operator in Helsinki.

## FINANCIAL STATEMENTS

*STOCKHOLM, 25 APRIL 2013*

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 30 May 2013 will resolve on the adoption of the Parent Company's and the Group's income statements and balance sheets.

Jan Sjöqvist  
*Chairman*

Gunnar Reitan  
*Board member*

Rolf Lydahl  
*Board member*

Richard Cazenove  
*Board member*

Birgitta Kantola  
*Board member*

Ragnar Norbäck  
*President*

Our auditors' report was issued on 29 April 2013.

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 REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

We have conducted an audit of the annual report and consolidated financial statements of Nobina AB for the financial year 2012-03-01–2013-02-28. The company's annual report and consolidated financial statements contained in this document on pages 62–106.

### *Responsibilities of the Board of Directors and the Chief Executive Officer for the annual report and consolidated financial statements*

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the annual report and consolidated financial statements in accordance with the Annual Accounts Act and for such internal control as the Board of Directors and the Chief Executive Officer deem necessary for ensuring that the preparation of the annual report and consolidated financial statements 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 report and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report and consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report and consolidated financial statements, 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 report and consolidated financial statements 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 report and consolidated financial statements.

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 report and consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company and Group as of 28 February 2013 and of its financial performance and its cash flows for the year in accordance with 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 report and consolidated financial statements, 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 2012-03-01–2013-02-28.

### *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 Swedish 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 Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual report and consolidated financial statements, 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 Swedish 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 audit 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.

Stockholm, 29 April 2013

Ernst & Young AB

Erik Åström  
Authorized Public Accountant

# GLOSSARY

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

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

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

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

**Concession** – Allocated right to uphold a monopoly in a geographic area and which comprises all rights to provide public transport. In Sweden, since the public transport authority reform in the 1980s, the state allocates concessions to clients (municipalities and county councils), which in turn provide public transport services through contracts with traffic companies. These contracts are tendered in accordance with the Swedish Public tendering Act.

**Concessions contract** – A form of contract between a traffic company and a client (municipality/ County council) that was typical prior to the public transport authority reform and which, in parts, continues for a transitional period. Under these 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.

**Local traffic** – Traffic serving densely populated areas.

**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 kilometres** – 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 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 term of the contract is typically five to ten years, with the option of extending for an additional one or two years. It is based on either a gross, incentive or net agreement, or an agreement that renders payment per passenger.

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

# DEFINITIONS

**Average number of employees** – The number of hours paid divided by normal working hours for a full-time employee.

**Degree of utilization** – Number of sold passenger kilometres divided by driven kilometres.

**EBIT** – Operating profit before net financial and taxes.

**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.

**EBT** – Income before tax.

**Earnings per share** – Profit for the year adjusted for dividends on preference shares divided by the average weighted number of ordinary shares.

**Earnings per share after full dilution** – Profit for the year adjusted for dividends on preference shares divided by the average weighted number of ordinary shares.

**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 kilometre.

# ADDRESSES

**Nobina AB**  
Armégatan 38  
SE-171 71 SOLNA

**Nobina Sverige AB**  
Armégatan 38  
SE-171 71 SOLNA

**Nobina Finland Oy AB**  
Klovinpellontie 5  
FIN-02180 ESPOO

**Nobina Europe Holding AB**  
Armégatan 38  
SE-171 71 SOLNA

**Nobina Danmark A/S**  
Malervangen 9  
DK-2600 GLOSTRUP

**Swebus Express AB**  
Armégatan 38  
SE-171 71 SOLNA

**Nobina Europe AB**  
Armégatan 38  
SE-171 71 SOLNA

**Nobina Norge AS**  
Schweigaardsgate 14  
N-0185 OSLO

**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 30 May 2013, at 2 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 Friday 24 May 2013.

*Shareholders are also asked to notify Nobina of their intention to attend:*

By mail to the following address: Nobina AB, Armégatan 38,  
SE-171 71 Solna, by fax +46 (0)8-27 23 03 or  
by email to martin.pagrotsky@nobina.com,  
no later than 24 May 2013, before 4 p.m.

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



#### ***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 defined requirements on our managers and employees. We place the customers' and company's interests ahead of our own. We promote seamless collaboration. 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.