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AB Storstockholms Lokaltrafik, SL is owned by the Stockholm County Council and its mission is to provide public transport services in Stockholm County. Approximately half of the total cost of the services is financed by ticket sales and revenues from other commercial activities such as advertising and rents. The remainder is financed by tax revenues contributed by Stockholm County Council. A total of 417 million journeys were made with SL during 2007, which means that SL is responsible for more than half of all public transport journeys in Sweden.

SL offers travel services based on the needs of people living, working and visiting in Stockholm County. SL is responsible for the entire public transport system, its traffic volume and quality, and ensuring an efficient interchange between different modes of transport. Having four different transport types interlinked in a single ticket system is unique at the global level.

Detailed planning and execution of transport services are procured from various contractors through competitive international tendering. The traffic personnel are employed by these contractors. SL owns the infrastructure of the transport network and vehicles, aside from the majority of buses. SL also owns, develops and manages the repair and maintenance depots. The tracks used by the commuter trains are owned by the Swedish National Rail Administration (Banverket).

- The number of weekday travellers was up by 1.8% compared to 2006 and ticket revenues rose by 11%.
- Total offered seat kilometers decreased by 3.9%, mainly due to the reduction after the end of the congestion charge trial (for definitions, see page 65).
- Every weekday in 2007, an average of more than 687,000 people travelled with SL. In November SL had an average of 727,000 travellers on weekdays, which is the highest number ever recorded.
- 69% of SL's customers were satisfied with transport services in autumn 2007, compared to 64% in autumn 2006.
- SL's website sl.se had an average of more than 100,000 visitors per day.
- Emissions of fossil CO₂ from SL's bus traffic (kg/passenger km) decreased by an additional amount of nearly 5% in 2007.

SL's financials in brief

Amounts in SEK M

	2007	2006
Operating income	12,031	11,182
Traffic operating expenses:		
Underground	-2,713	-2,584
Bus	-3,741	-3,299
Commuter train	-1,394	-1,249
Local trains	-555	-529
Profit/loss for the year	320	-955
Profit/loss for the year excluding exceptional items*	320	1
Tax funding ratio, %	53.1	52.0
Capital expenditure	3,110	3,445
Average number of employees	699	567

* See Note 4, page 47

For definitions, see page 65.

Highlights of 2007

January

→ Ingemar Ziegler leaves a similar post at the property company Locum and takes up duties as Managing Director of AB Storstockholms Lokaltrafik. Mr. Ziegler already has personal experience of SL after a period as Acting Managing Director during 2003.



→ Six of the highly appreciated direct bus lines that were added during the congestion charge trial are made permanent after playing a more important role than others as a complement to regular service.

→ The price of cash tickets purchased on buses, on local trains or at underground and commuter train stations is raised from SEK 20 to SEK 40. The increase is a result of SL's efforts to reduce cash handling in SL traffic and provide an incentive to purchase prepaid tickets.

→ SL launches a new type of ticket via mobile phone text messaging. The text message functions as a single fare ticket and costs SEK 26. The text message ticket is a fast and effective complement to other single fare tickets and an alternative for those not able to purchase tickets in advance.



February

→ Launch of a fresh design and new functions as a first step in a series of improvements on sl.se. The new site offers a personal login that enables users to save and quickly find their most frequent destinations in the travel planner. In connection with the next trip, users can choose directly in a drop-down list and avoid having to fill in the address again.

→ SL's Ticket control begins using pre-announced inspections.

→ The Board of SL decides to modernise the stations along the Nynäshamn commuter train line. In order to offer more frequent and punctual traffic on the Nynäshamn line, its capacity must be upgraded through extension of double track, new passing points and lengthening of platforms. An interest-free loan from Stockholm County Council to Banverket (the Swedish National Rail Administration) makes it possible to start work.

March

→ SL begins installing security cameras on the buses. First out is the Botkyrka garage south of Stockholm. As an important step in increasing security in SL traffic, SL has applied for and been granted permission from the County Administrative Board to install cameras on some 2,000 buses.



April

→ On 1 April, a number of changes are made in the fare system. A general price increase is implemented and a "cash stop" is called for purchasing of tickets directly from bus drivers. Ticket vending machines are installed at bus stops and stations and a reseller network is built up. The flat fare is discontinued and a system with three zones is instead reinstated. The prepaid ticket slip is reintroduced.



→ During the Easter holiday, contact between Banverket and Stockholm Central Station is broken. All rail traffic, including commuter trains, is replaced with bus traffic between Stockholm Central and Stockholm South from Good Friday until the night before Easter.

→ The SL transport system's joint Security Center moves into new, modern and more suitable premises at Lindhagensterrassen, and the staff is hired by SL.

→ The Stockholm Transport Museum opens an exhibit on Stockholm images by photographer Hans Ekestang, who has been recording images for SL over the past 30 years.

May

→ The Board of SL decides to introduce a 35% student discount on SL cards starting from the autumn term. At the same time, the ban on mobile phone usage in SL traffic is lifted.



June

→ Important and strategic Board decisions are made for the future of SL traffic – the start of planning for a new underground line to Karolinska University Hospital, a biogas supply agreement with the Käppala wastewater treatment plant, a new advertising contract and extension of the light rail line to Djurgården.

→ The Rydbo–Österskär section of the Roslagen suburban railway is renovated during the summer. Traffic is resumed two weeks earlier than anticipated.



→ SL collaborates with the 29th Stockholm Marathon. Traffic in the inner-city is rerouted during the competition and a tent in Kungsträdgården provides SL information to the public, which can also follow the race via live broadcast. Ten runners from SL and its transport contractors battle for victory in an internal SL contest.

→ SL's new commuter trains require increased maintenance and storage capacity. Construction of a new commuter train depot to meet these needs is started in Södertälje Harbour.

August

→ SL takes part in the Young08 festival in Kungsträdgården. In SL's tent, children and teens have the chance to meet security guards, ticket inspectors, officers from the underground police and staff from SL Security Center to exchange experiences from SL traffic.

→ The Swedish parliament passes a decision to introduce a permanent congestion charge in Stockholm. By increasing traffic, among other things through four new direct bus lines, additional departures and more frequent traffic during rush hour in connection with introduction of the new winter timetable, SL increases its preparedness to serve more travellers.

→ Brazil's President Lula da Silva visits Scandinavia, partly to discuss Brazilian ethanol manufacturing. In royal company, he takes a ride on one of SL's many ethanol-driven buses.



→ Tests of SL's new payment system, SL Access, are started in bus traffic on Lidingö. For the first time, there is equipment installed on the buses and 2,000 Lidingö residents can try out the new smart card.



September

→ Launch of Web TV, a new component of SL's market communication. The Web TV pilot project is planned to run for around six months, and consists primarily of a series of information films with SL travellers as the main target group. The goal is to spread knowledge about SL's activities in different areas and create a better picture of its overall operations.

→ A decision is made to further enhance security by introducing "security hosts" in SL traffic.

October

→ SL raises the fine for travellers lacking a valid ticket during inspections from SEK 800 to SEK 1,200.

→ During a special study day with a broad-based environmental theme, the government's political party leaders visit businesses in the Stockholm region. On their own initiative, they choose to travel with SL's ethanol buses. SL's Managing Director Ingemar Ziegler accompanies the group and talks about the environmental advantages of SL's transports and upcoming eco-initiatives in Stockholm County.



→ SL's Travel Guarantee is improved and the maximum fare for taxi trips is raised to SEK 800. The aim is to develop the guarantee so that it also benefits those travelling longer distances.

November

→ Never before have so many people travelled with SL – the November figures reach an all-time high. At the same time, 7 of 10 travellers continue to give SL traffic top ratings. Measurements show that over 2.5 million SL journeys are made every weekday, equal to more than 727,000 travellers per working day, which is the highest figure on record.



→ 50 years of art in the Stockholm underground are worth celebrating. This anniversary for the people of Stockholm's cultural legacy begins at T-Centralen, the central traffic hub and site where the first work of art was unveiled in 1957. The underground art initiative is often said to be the post-war era's largest art initiative in Sweden, perhaps all of Europe. SL commemorates the occasion with an action-packed anniversary programme.



→ Installation of ticket vending machines and card readers for SL Access, SL's new payment system is started on all SL buses.

December

→ SL sets up new geographical maps on all information boards for all transport types. The maps are adapted to the local environment and have been eagerly awaited. This is the first time SL produces maps entirely on its own.



→ A decision is made to introduce 24-hour traffic in the underground on Friday and Saturday nights starting in autumn 2008. Commuter train travellers can also look forward to increased night traffic.

→ SL's Customer Service begins staying open 24-hours a day to improve passenger service. Together with the customer service staff, SL's Chairman Christer G. Wennerholm and Managing Director Ingemar Ziegler answer questions and receive passenger feedback during the premiere evening and night of 11 December.

→ At Christmas and New Year's Eve vandals set off fireworks in the underground and SL decides, in collaboration with the police, to close the Rinkeby underground station for a couple of days. In meetings with local organisations, SL clarifies why it was forced to close the station and emphasises the need for adult supervision on evenings and nights.



→ SL's ticket inspectors are trained in the UN's Convention on the Rights of the Child, after which more than 700 SL employees have learned to consider the best interests of children in all decisions.

An eventful year

As I look back on my first year as Managing Director, I am struck by all the events and accomplishments of 2007. It was a year of year with significantly stronger finances, more travellers and increased passenger satisfaction, improved punctuality and a number of important decisions, but also discussions about our visions for ensuring the effectiveness of the public transport system in a longer perspective.

In our day-to-day work it is not always easy to find an ideal balance between meeting our current obligations and delivering good public transport services every day to some 700,000 travellers while at the same time pursuing a large number of strategic projects for the future. To talk to a passenger about his or her views on an individual train departure at one moment and at the next to look perhaps 50–60 years forward in time. In this situation it is vital to be efficient and able to prioritise, since both aspects are equally important.

A new strategic platform

Our ambitions for SL traffic are high, and we intend to keep them so, but we need to do the right things at the right time. To create the conditions for a more goal-oriented and focused SL, we have developed a new performance management model and revised our strategic platform in the past year. Shared values, processes, routines and tools will lead to a consistent approach and ensure that the entire organisation is working toward the realisation of our vision. To simplify and more clearly define our objectives, we have chosen to divide our performance management model into five perspectives: customers, suppliers, employees, society and owners.

More satisfied customers

SL's overall market goal is to increase the number and satisfaction of its customers. Our customer surveys show that a comprehensive and well planned transport system combined with simple and easily accessible traffic information are the key criteria for winning more travellers, i.e. for taking market shares primarily from car transports.

The number of travellers climbed to record levels during the year. Two of the most obvious reasons why more people are travelling with SL are a strong economy and adoption of the congestion charge, but I also dare to claim that another key motive for people to choose SL is our excellent range of transport services.

Our customers have also become significantly more satisfied with SL. The most influential factor for customer satisfaction is that traffic departs and arrives on time. Our intensive efforts to improve punctuality have paid off, and we noted that both the underground and commut-

er trains became better at staying on schedule during the year. But we are not satisfied yet. Since punctuality is what customers value most, we are continuously looking for new ways to improve it. Punctuality in bus service, particularly in the inner-city, deteriorated from the previous year. To alleviate the effects of traffic congestion on bus transports, through additional bus lanes and traffic lights with bus prioritisation, we are seeking collaboration with the City of Stockholm as well as other municipalities and the Swedish Road Administration. A portion of the government-imposed congestion charge will be used for improvements of this type.

Our intensive efforts to improve punctuality in the past year have paid off.

The prioritised activities in SL's Security Project continued in the past year. We are equipping our traffic environments with security cameras and other systems to provide better security for our customers and employees. Cameras are being successively installed in all buses, rail-bound vehicles and stations. The Security Project is resulting in intelligent fire alarms, track alarms, emergency telephones, an anti-vandalism database and a 24-hour Security Center. We are also coordinating and training SL's security guard resources. Our basic philosophy is that in the long run, more visible and service-oriented personnel will contribute to more secure and pleasant transports that will encourage more people to ride with SL and pay for their journey.

We are aware that inadequate information about delays and disruptions is a source of irritation for our customers, particularly bus passengers. For the past two years we have been developing an integrated system for real time traffic information and in 2008 the platform will be deployed on a large scale in bus traffic. Among other things, this will provide travellers access to real time information about when a bus is due to arrive at a certain stop via their mobile phone. The inner-city blue buses are first to offer this service. We are also setting up 800 dynamic displays at bus stops and 45 real time information boards at the bus terminals.

Arrival and departure times for all transport types will be gradually supplemented with real time information for the benefit of both customers and transport contractors. New initiatives related to customer treatment and service in traffic are also on the agenda for the coming year.

Competent suppliers

Day-to-day provision and operation of SL's transports rely on the combined efforts of transport contractors, sales agents, construction, operation and maintenance contractors and other suppliers of goods and services. We believe in professional relationships founded on trust and partnership. Working through others demands a special kind of expertise, and based on SL's already considerable experience we are developing new and better steering parameters and performance monitoring methods in the traffic agreements – all to ensure the quality desired by SL's customers at the best price. In 2008 we will invite tenders from underground contractors ahead of autumn 2009. This will be one of Sweden's largest procurements of all time, and will naturally demand considerable resources.

A less successful partnership is that with the supplier responsible for developing our new smart card-based payment system SL Access. Delivery has been delayed, and despite successive improvements in test results the supplier has still not been able to achieve the quality required by SL. We will not be satisfied with anything less than a system that is 100% reliable. When the remaining problems have been solved, we will be well prepared. The card readers and ticket vending machines are already installed, plans for training of traffic personnel are ready, the organisation for the new system is in place and I am convinced that SL Access will be a major advantage.

Motivated employees

SL's employees are experts at overall planning, information, ordering and monitoring of traffic and service. In addition, we are responsible for managing substantial infrastructure in the form of vehicles, tracks, stations, depots, etc. To realise our mission, it is critical that SL has competent and motivated employees who are dedicated to meeting customer needs and ex-



pectations both today and in the future. I see an enormous level of commitment in SL and hope that our new performance management system will help to channel it even more effectively.

A sustainable society

SL plays an important role in the region's long-term development. SL's transport services are an environmental project in themselves, but we have set our sights even higher. We are working determinedly to develop our environmental profile and performance. Around 25% of our buses are already powered by renewable fuels and by 2011 this number will be raised to 50%.

We are also continuing our efforts to improve accessibility for the disabled to ride with SL. For a disabled person, the ability to travel independently can provide a significant boost in self-esteem.

Meeting owner requirements

From a financial perspective, 2007 was a strong year and earnings were better than anticipated. Revenues benefited from both a changed fare system and an increase in travellers, and we were also able to contain our costs. We have now restored transport services to around the same level as during the congestion charge trial, when the traffic increase was financed by the national government. This has become possible thanks to higher revenue from operations and increased subsidies from the Stockholm County Council (SLL). In 2007 SL received 53% of its financing from SLL, and my goal is to reduce the tax funding ratio to a long-term level of around 50%. This will take place through more paying travellers, but also

through new ways of generating revenue and cutting costs in collaboration with other players. A number of interesting projects are being pursued in areas such as property development.

Our goal for 2008 is to make an extra effort.

A challenging future

Stockholm is growing explosively and many of our traffic systems have reached their capacity limit. We are studying the potential to raise these limits, for example through increased automation to operate the underground with greater frequency. Due to the current under-capacity, we are often forced to make costly renovations that are not profitable in the long term. In the past year Banverket (the Swedish National Rail Administration) finished rebuilding the area around Stockholm Central in preparation for the City Line, a new commuter rail tunnel, which is scheduled for completion in around 10 years. This is 30 years too late, but naturally still a welcome addition. The Saltsjö suburban railway and Slussen interchange are other examples where the capacity and age limits were exceeded long ago, and where we have been forced to take temporary measures to ensure safety and punctuality. In 2008 I hope and believe we will be given the green light for our planned track extensions. First in line are the Light Rail East from Sickla to Slussen and the Light Rail North from Alvik to Solna, as well as renovation of the Saltsjö line. Other projects in the works are an underground line from

Odenplan to Karolinska University Hospital, a continuation of the Light Rail north to Kista, a extension to double track on the Roslagen suburban railway and extension and renewal of the light rail line between Djurgården and Stockholm Central.

And finally, I would like to thank all of SL's customers, suppliers and employees. We have carried out many large and small projects that we can take pride in; after the Swedish Work Environment Authority's decision we succeeded in quickly eliminating cash handling from bus traffic, our travellers feel more secure and our punctuality has improved. We were so successful in dealing with the autumn leaf slippage that many people were unaware that any existed this year. We have addressed the shortage of carriages in the underground, will soon have a whole new fleet of commuter trains with trained drivers and have continued the development of our IT systems and planning of our future rail investments. And the list goes on and on. But in the end, we are most proud to have increased the share of satisfied customers compared to last year.

Stockholm, March 2008

Ingemar Ziegler
Managing Director and CEO

This is SL

AB Storstockholms Lokaltrafik, SL, provides public transport services that are designed to meet travel needs in Stockholm County based on prioritisation of the transport framework that is most effective from a societal perspective.

SL's vision

SL brings greater ease and convenience to day-to-day life and contributes to a more attractive Stockholm region.

Business mission

- SL offers everyone in Stockholm County an extensive, attractive and easily accessible public transport system by rail and by road.
- SL meets the needs of different customers for easy, reliable and reasonably-priced travel. All journeys should be safe and secure.
- Through its operations, SL contributes to sustainable long-term development of the region.

SL's performance management model

In 2007 SL developed a performance management model that together with the business mission will serve as a basis for SL's strategic planning. The purpose of the model is to define the objectives and targets for SL's strategic ambitions in a clear and easy-to-grasp manner. The overall objectives provide guidance in formulations of goals for each unit in SL's organisation. Within the framework of the yearly business planning process, the units will then formulate internal goals and activities that support SL's overall objectives.

SL's performance management model is divided into five perspectives that also represent SL's five key stakeholders: customers, suppliers, employees, society and owners.



Skilled staff and courteous treatment are important quality aspects of the SL brand. In 2007 SL formulated a new customer service strategy that is being implemented in collaboration with SL's transport contractors. The first steps towards creating an SL-wide uniform were also taken during the year.

Operations

The SL Group has approximately 800 employees whose tasks include overall planning and decision on the scope and quality of traffic, as well as purchasing, managing, developing and marketing of transport services in the county. SL is responsible for providing a good system of public travel alternatives in Stockholm County, which means that SL oversees the overall system and ensures a well functioning interchange between different modes of transport. Scheduling and delivery of transport services are carried out by a number of transport contractors. A total of more than 14,000 people work in SL's public transport operations.

Brand

The SL brand serves as a sender both for the operations conducted within the framework of AB Storstockholms Lokaltrafik and for all the services provided by transport contractors on behalf of SL. One challenge is to create a clear and appealing image of SL in the traveller consciousness that is consistent with the services provided. This image is a composite of all the different impressions formed by consumers and the public – everything from planning a trip to finding information, buying tickets and perceptions of the vehicle and traffic environment, as well as reading advertisements and the website. To further enhance the brand, in the past year SL developed a new strategy for market communication in which SL is highlighted as a company that makes an extra effort.

The brand's core values

Simplicity – It should be easy and convenient to travel with SL, but also timely and cost-effective. SL's traffic personnel, timetables, travel planner, signs and other information aids contribute to making the travel experience simple and problem-free.

Reliability – The travellers should be able to travel everywhere in Stockholm County, safely, securely and according to the timetable.

Total responsibility – SL has total responsibility for the public transport system in Stockholm County, where one key aspect is a long-term commitment to and responsibility for the coordination and continuity of transport services.

By acting according to the brand's core values and maintaining a consistent graphic identity, it is possible to:

- Define what SL and its transport services are and what they stand for.
- Make it easier for the public to understand and use SL's transport services.
- Create an attractive and distinctive profile that strengthens the relationships with all external stakeholders.

SL offers public transport services to 1.9 million residents in Stockholm County and several million visitors to the Stockholm region. Around 95% of the population lives in densely populated areas and around 5% in rural areas, which place differing demands on SL's operations.

In 2007 SL introduced a new fare system in which the region is divided into three zones, A, B and C. The entire underground system is part of zone A, as are the Light Rail, the Nockeby light rail and the Lidingö suburban railway. The nearest neighbouring municipalities are located in zone B, including the Roslagen and Saltsjö suburban railways, while other municipalities are located in zone C at the end-points of the commuter train system. All zones have extensive bus services.

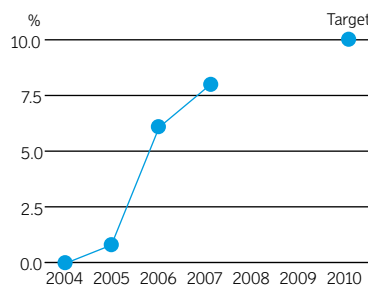
To facilitate borderless mobility in the Mälardalen region, SL is in discussions with the counties of Uppsala, Västmanland, Södermanland and Örebro regarding collaboration across county lines. The foremost goal is to simplify travel for customers who live in one county and work in another. The collaboration will include both coordination of transport services and an efficient fare system.



SL's goals

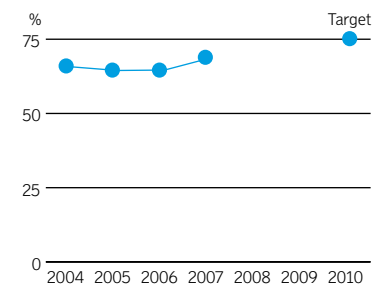
SL's foremost goal is to increase the number and satisfaction of customers. Percentage targets have been set for the period to 2010.

Number of travellers



The number of travellers on a regular weekday will be increased by 10% between 2004 and 2010, or by 150,000 journeys per day. At year-end 2007 the increase was 7.7%.

Share of satisfied customers



The share of satisfied customers will reach 75% and the share of dissatisfied customers will not exceed 10%. In autumn 2007 the share of satisfied customers was 69%.

Analysis and knowledge of passenger needs and travel

Customers
SL is working to increase the number and satisfaction of customers.



Over the years SL has built up a good knowledge of customer behaviour and attitudes. In 2007 this customer insight was significantly enhanced through continued in-depth analysis. As a result, all decisions at SL can now be based on actual data about what customers prioritise most.

A growing demand for SL transports

The Stockholm region needs an effective public transport system in order to function. For that reason, the travellers are SL's largest and most important customer group. They are growing in number and demanding increasingly high quality from their travel services. Stockholm County has a population of approximately 1.9 million people and this number is rising by around 20,000 per year. According to forecasts, the Stockholm region will have roughly 2.4 million residents by 2030. Added to this are millions of temporary visitors, tourists and business travellers who have also shown a greater interest in travelling with SL. Starting in October 2007, the number of travellers on a regular weekday exceeded 700,000 for the first time. To better meet customer expectations, SL is increasing its use of market surveys and analyses that can create a basis for improvements and new initiatives.

For many people, SL is the only possible travel alternative.

In 2007 the population grew in every one of the county's municipalities. Of these, Vaxholm and Nykvarn showed the highest increase, at 3.1% each, followed by Salem, Nacka, Värmdö and Sollentuna. Future travel needs are identified through forecasts of population growth in different parts of the county and facts about

housing construction and the location of new workplaces. Every year, SL carries out a review together with all of the county's municipalities to chart the existing supply and demand. Needs and resources are matched continuously and priorities are set on the basis of completed forecasts. The capacity of the existing transport network and missing links, such as long walking distances, are also weighed in.

Investments for the good of society

SL's task is to invest resources where they do most good for society, i.e. where the most travellers will benefit from the greatest improvement in relation to the funds invested. Every year, the Board of SL's looks over the transport plan/vision for which SL continuously strives and seeks financing. The required investments are substantial, and the projects are normally funded through the Stockholm County Council, government grants, municipal contributions, Banverket or EU subsidies. In most cases, increases in rail-bound traffic receive 50% funding from the government.

Young people and women travel most

According to SL's surveys, more than 90% of the residents in Stockholm County use SL's services at some point during a year and over 80% travel with SL at least once a month. Young people are more frequent users, with 80% of all youths between the ages of 18 and 25 stating that they travel with SL at least once a week. In the age group from 25 to 65 years, the figure is around 60%. During rush hour, SL has a 74% market share at the approaches to

the inner-city, which is unique in an international comparison.

Of all journeys with SL, more than 40% are taken to/from the inner-city and around 20% each within the home municipality or locally within the inner-city. Residents of the inner-city and local suburbs account for the majority of journeys with SL. Women make up 62% of SL's daily travellers.

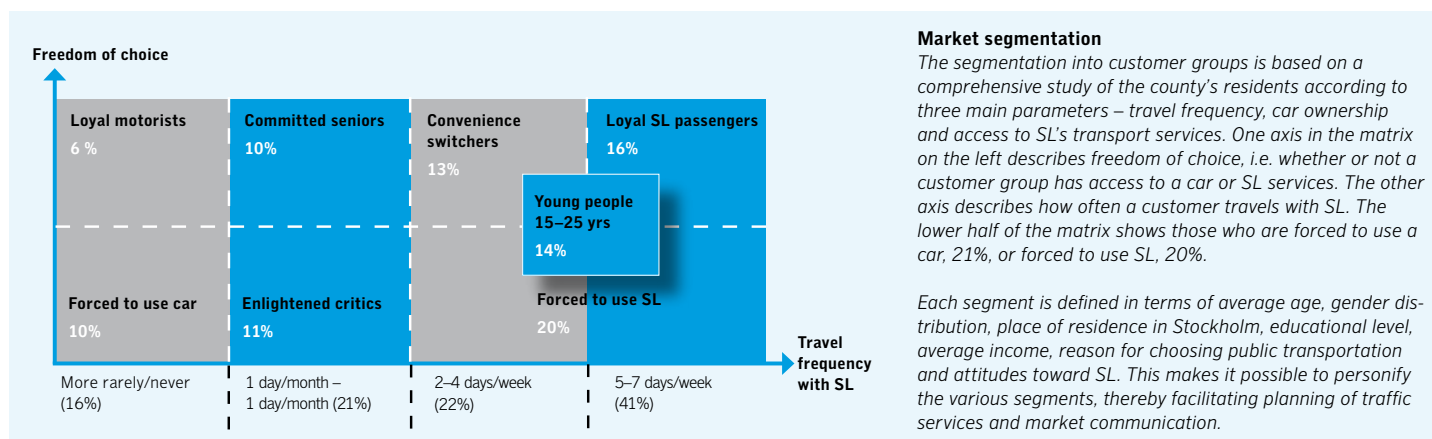
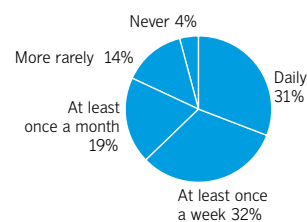
SL has carried out a segmentation of the county's residents over the age of 15 years to create a clearer picture of who SL's customers are. This segmentation is used for development of services and communication.

SL is important to Stockholm

SL's services are vital for Stockholm's well-being and future development. In Stockholm, public transport plays a different role than in many other Swedish cities and is the only possible travel alternative for many of the county's residents.

The Stockholm County Council's overall objective for public transport is to provide an ef-

Frequency of travel with SL in 2007



Market segmentation

The segmentation into customer groups is based on a comprehensive study of the county's residents according to three main parameters – travel frequency, car ownership and access to SL's transport services. One axis in the matrix on the left describes freedom of choice, i.e. whether or not a customer group has access to a car or SL services. The other axis describes how often a customer travels with SL. The lower half of the matrix shows those who are forced to use a car, 21%, or forced to use SL, 20%.

Each segment is defined in terms of average age, gender distribution, place of residence in Stockholm, educational level, average income, reason for choosing public transportation and attitudes toward SL. This makes it possible to personify the various segments, thereby facilitating planning of traffic services and market communication.



The factor with the greatest influence on people's willingness to travel with SL is the range transport services and that with the greatest impact on passenger satisfaction is punctuality.

efficient and sustainable transport system. Public transport should be secure, reliable and easily accessible. Efforts to increase the public transport system's market share also represent a valuable environmental investment.

In 2007 the number of travellers per day increased by 1.8%. According to SL's assessment, around 50% of the increase/decrease in the number of travellers can be attributed to how well the SL transport system functions, the price level and the effects of active marketing. The remaining 50% is due to external factors, the most important of which are the state of the economy, the level of employment and the petrol price. In both 2006 and 2007, the share of gainfully employed people in Stockholm Country increased by more than 2.5% annually. Another factor that had a tangible impact on the number of travellers in 2007 was the decision to reinstate the congestion charge in Stockholm.

When problems arise in traffic, courteous treatment is all the more important.

SL uses a monthly survey to monitor customer perceptions of the different traffic types. The survey is conducted through questionnaires that are handed out to travellers onboard the vehicles. The survey is administered to 4,600 travellers every month. SL also uses customer panels and focus groups to gather traveller input.

Good transport services attract more travellers

SL's customer surveys show that the factor with the greatest influence in attracting more people to travel with SL is a comprehensive and flexible range of transport services and simple, easily-accessible information about how to travel with SL. A customer-driven range of transport services consists of a well planned and integrated route network with departure times that are adapted to customer needs for convenient and reliable travel.

Quality leads to more satisfied customers

Punctuality has the greatest influence on customer satisfaction for all transport types, but lower congestion, good information about disruptions and professional treatment by the employees are also important.

Punctuality most important

In the autumn of 2007, 69% of the customers were satisfied with SL's transport services, compared to 64% the year before. This is the highest level recorded since SL began measuring customer satisfaction. In 2007 punctuality in SL traffic improved particularly on the underground and commuter trains, where customer satisfaction increased by a full 18% over the year before. Actual punctuality is highest on the local trains.

Crowding congestion

Many people also experience congestion as a source of irritation. Crowding congestion arises because travel volumes are highly concentrated to a few hours of the day, which leads to a shortage of capacity. Delays in traffic also contribute to congestion. Rush-hour traffic is central for SL and additional vehicles are put into service when possible. A significant success factor in this context is that SL traffic is prioritised, both rail and bus traffic.

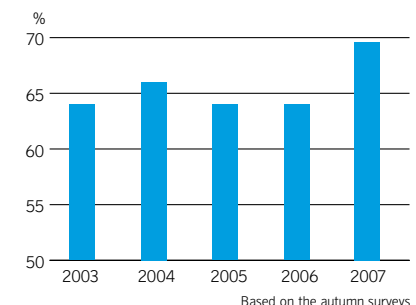
Information about traffic disruptions

Adequate information about traffic disruptions is important to travellers. The travellers who travel most frequently with SL are also most dissatisfied with the standard of traffic information. SL has a number of projects underway to improve the scope for providing real time information about the location of a specific vehicle. In 2008 travellers will successively have access to real time information about bus traffic, read more on page 12.

Treatment by the employees

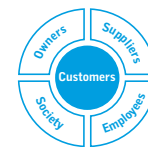
In autumn 2007, 61% of the travellers were satisfied with their treatment by SL's personnel. The highest satisfaction is reported for the local trains and buses, where travellers have direct contact with staff. In the event of delays or problems in traffic, courteous treatment is all the more important. A new customer service strategy, based on the idea that satisfied customers are created through knowledgeable and dedicated employees who are responsive and flexible in their interaction with customers, has been developed for gradual implementation. SL has also started developing a group-wide uniform for all employees in SL traffic, where the goal is to more clearly show who the travellers can turn to for assistance and information.

Share of satisfied customers



Market communication with focus on customer benefits

Customers
SL is working to increase the number and satisfaction of customers.



SL bases its communication on the brand's core values; simplicity, reliability and total responsibility. In the past year, more detailed information about customer expectations and demands on SL's communication activities was collected and analysed. A new, more customer-oriented strategy for market communication was formulated and is being successively implemented in day-to-day operations.

One notable consequence of SL's new strategic focus is that communication resources will be increasingly allocated to activities in the SL environment and information about SL traffic. Aside from punctuality and frequency of departures, the most critical aspect for customers is that traffic information is clear and easy to understand. Surveys also show that good treatment by the employees is essential in increasing passenger satisfaction. The customers want to be well treated, but find it difficult to identify where, and from which SL employee, they can obtain the required assistance. This is underlining the importance of SL's customer service and making the front staff an increasingly vital communication channel. A new customer service concept has been formulated and "service hosts" will be introduced on a trial basis. A SL-wide uniform that is consistent with SL's graphic identity will be developed to enhance the visibility of the customer service staff. The customers should feel that SL is making an extra effort.

Collaboration with SL

A variety of collaborative efforts with companies and organisations are an important part of SL's total communication. To more effectively steer these commitments, SL tightened and redefined its criteria for collaborations in the past year. For SL to consider a collaboration, the project in question must have a natural connection to the company's operations. It should contribute to strengthening SL's brand and position in the market, and should be motivated from a business perspective. The primary areas are environmental preservation, young people, culture and Stockholm County. As a new service, those who are interested in collaboration can test their project at sl.se to see whether it lives up to SL's requirements, and if so can go on to the next step and fill out a formal application. In most cases, SL collaborates by offering transport solutions, increased traffic and information support and/or by offering SL tickets in package solutions for participants in competitions and events.



Building relationships with young people

Youths and children are a prioritised target group for SL. To promote good relations with young customers, SL took part in the Young08 summer festival in Stockholm. At the SL tent, visitors could discuss the environment, receive an SL water tattoo and meet security guards, ticket inspectors, members of the underground police and staff from the Security Center.



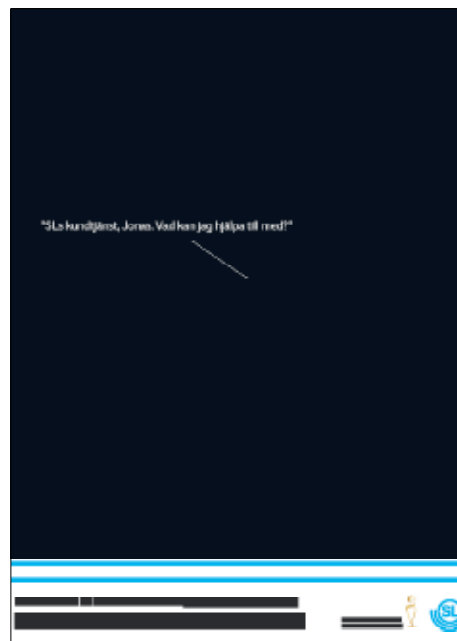
Launch of text message ticket

In January SL launched a new type of ticket that can be purchased anywhere, at any time, via a mobile phone – a highly appreciated alternative that provides greater flexibility and accessibility in buying tickets.



Cooperation with Stockholm Marathon

SL offered increased transport services during the Stockholm Marathon and allowed the participants to ride with SL during the day of the race. This provided opportunity to create positive brand associations and profile SL transports as attractive, convenient, cost-effective and environmentally friendly.



Customer service campaign

Since mid-December 2007 SL's customer service has been kept open 24 hours a day on a trial basis, giving customers improved access to information about traffic and disruptions at night and during the early morning hours.

727,000 travellers per weekday

SL set a new record in November 2007 when the number of travellers on a regular weekday reached 727,000. On average, 687,000 travellers made 2,434,000 segment journeys with SL every weekday during the past year. During rush hour, SL's market share of travellers going to/from the inner-city was 74%. A total of approximately 14,000 people work in SL's transport services.



Underground

Boardings	1,094,000
Departures	1,950
Trains	105
Drivers and ticket book staff	2,050



Bus

Boardings	975,000
Departures	25,000
Buses	1,924
Drivers	4,150



Commuter trains

Boardings	242,000
Departures	750
Trains	40
Drivers, conductors and ticket book staff	440



Local trains

Boardings	123,000
Departures	1,000
Trains	53
Drivers and conductors	320



SL employees

Number of employees excluding SL Customer Service	610
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Central services

Customer service employees including ticket inspectors	207
Telephone calls to SL Customer Service	1,550
E-mail messages to SL Customer Service	106



Internet and Travel Planner

Visitors to sl.se	more than 100,000
Travel Planner, inquiries	240,000
Improved travel planner at mobil.se	



Station facilities

Escalators/moving walkways	416
Lifts/elevators	374

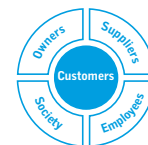


Sales agents

Pressbyrå shops and private agents	355
Resellers with sales agreements	365
Ticket booths at commuter trains stations	47
Ticket booths at underground stations	170
SL Centers	7

Continued focus on traffic information

Customers
SL is working to increase the number and satisfaction of customers.



Up-to-date and customer-adapted traffic information leads to more satisfied customers, according to SL's customer surveys. SL has therefore increased the focus on giving its travellers access to more relevant and correct traffic information with a content and format that is designed from a customer perspective.

The individual needs and abilities of different target groups must be identified and met regardless of time and place. A whole new administrative unit with strategic responsibility for customer-oriented traffic information was established during the year.

One concrete improvement in 2007 was the renewal of all information boards at stations and bus stops. This work has been aimed at making the information boards an effective channel where customers can easily find the traffic information needed for their journey. This has also included updated maps developed in SL's geographic information system SL GIS. For the first time, SL has taken over map production under its own management, making the process both easier and faster. The decals on all vehicles have been replaced to make it easy for customers to see what rules apply onboard SL's

buses and trains. Routines for the updating of information boards and maps have been looked over to ensure that customers are always provided with correct and up-to-date information. It is now possible to subscribe for information about traffic disruptions via a mobile phone.

Real time information system – Right Now

For the past few years SL has been engaged in a project to coordinate information about all transport types and contractors in a joint information system – a real time platform. Deployment of the system was started in 2007 and in 2008 will be a valuable tool in providing traffic information. Based on satellite communication, the system combines timetable information with real time data on the location of each vehicle. When implemented on a full scale, it will be possible to monitor all SL transports in a single system. For example, a bus driver can be

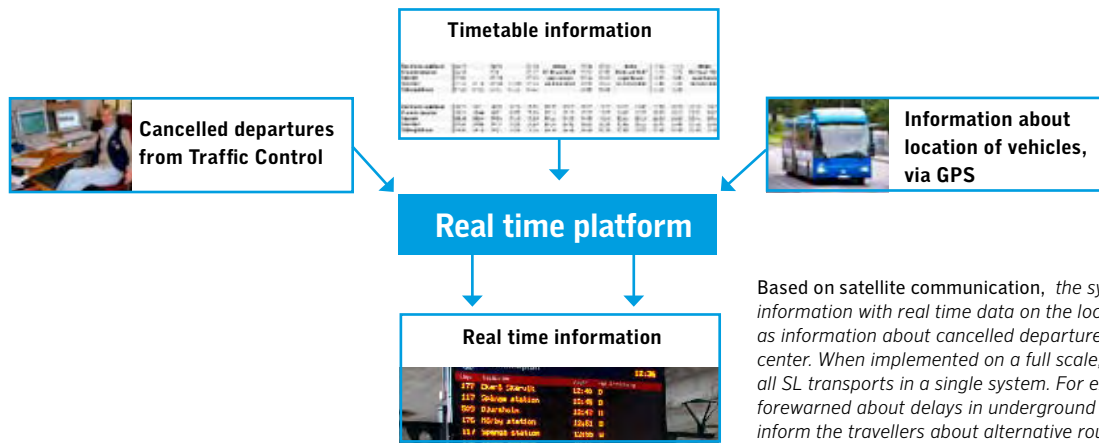
forewarned about delays in underground and commuter train traffic and inform the travellers about alternative routes for their journey.

All maps, decals and information displays are being modernised.

Several new functions can be developed based on the real time system. Bus information is initially the top priority, since travellers have been most dissatisfied with information about disruptions in bus traffic. The Swedish government has granted SEK 110 million from the congestion charge trial to finance nearly 900 dynamic displays with real time information at bus terminal and bus stops with more than 500 travellers per day. The first of 45 informa-



Real time information in bus traffic will be introduced during 2008. A total of 800 dynamic displays were installed at bus stops and 45 information boards at bus terminals. The first information board with real time information was set up at Brommaplan in January 2008. New terminal maps help customers to find their way at transport interchanges.



Based on satellite communication, the system combines timetable information with real time data on the location of each vehicle, as well as information about cancelled departures from the traffic control center. When implemented on a full scale, it will be possible to monitor all SL transports in a single system. For example, a bus driver can be forewarned about delays in underground and commuter train traffic and inform the travellers about alternative routes for their journey.

tion boards at bus terminals was inaugurated at Brommaplan in early January 2008. Parallel to this, efforts are underway to install talking monitors for the assistance of visually impaired travellers. Dynamic displays had been previously installed at Slussen, Gullmarsplan and Liljeholmen and along the 1, 2, 3 and 4 bus lines in the inner-city. After the bus lines, the local trains are next in line for real time information.

sl.se and the popular Travel Planner

The Travel Planner at sl.se set new visitor and usage records in 2007, answering an average of 240,000 travel queries per day. A full 95% of Stockholm County residents between the ages of 15 and 74 years with access to the Internet know of or have used sl.se, and 43% report that they use the service at least once a week. In a measurement by the Association of Swedish Advertisers, sl.se was ranked as Sweden's largest regional website.

More than 100,000 unique visitors per day at sl.se

At present, the data in the Travel Planner is based exclusively on the timetable, but in 2008 SL will begin incorporating real time information. With real time information, the travel planner can take changes like cancelled departures into account and provide alternative travel suggestions. Another area of development for the travel planner is to give better guidance for the disabled, such as information about lifts and escalators at each station or the floor heights of different vehicles.

The Travel Planner can also be reached via mobil.sl.se, giving travellers easy access to travel suggestions, timetable information and maps directly via their mobile phone.

Mitt SL.se for a smarter journey

In the past year SL launched the new personal service Mitt SL.se, which makes it possible for customers to create their own personal travel planner over the Internet or a mobile phone.

Customer service for personal assistance

SL's Customer Service deals with customer

queries via telephone number 08-600 10 00, e-mail and regular mail. Customer Service is responsible for providing up-to-date information in several of SL's data systems, such as the Travel Planner and traffic disruptions via sl.se. Since mid-December, Customer Service is open 24 hours a day on a trial basis. Customer Service is also responsible for ticket control. In training of ticket inspectors, there is a strong emphasis on treatment of customers.

At the end of 2007 SL's Customer Service had a total of 207 employees. Customer Service answered 565,714 telephone calls and 38,778 e-mails, and processed nearly 35,000 travel guarantee claims during the year.

According to a survey by Teleperformance, SL's Customer Service is second best in the Nordic travel industry. In a comparison of 100 companies, SL's Customer Service received high ratings on expertise, friendliness, attention and the ability to steer the conversation.

Higher amount for travel guarantee

SL offers its customers a travel guarantee so that those who choose to travel with SL can always be sure of arriving, even when traffic is delayed. In the past autumn the travel guarantee amount was raised to SEK 800, meaning that travellers can receive compensation up to this amount for a trip by taxi or with another transport provider, such as SJ's trains, if they risk being delayed by 20 minutes or more. Paid travel guarantee claims decreased from SEK 9.7 million in 2006 to SEK 8.0 million in 2007 in spite of the higher amount, thanks to fewer cancellations and delays in train and bus traffic during the year.

In 2007 SL introduced a special travel guarantee for the disabled that includes lifts and escalators, and also covers cases where SL's timetable has promised a low-floor bus and the departure in question is operated by a standard bus. SL is taking ongoing measures to further develop this travel guarantee.



SL's Customer Service provides traffic information and travel suggestions by telephone and e-mail. But many people also call SL's Customer Service when they have ideas or feedback about the transport services. Since mid-December 2007 Customer Service is open around the clock on a trial basis. SL's Customer Service is second best in the Nordic travel industry according to the market research company Teleperformance.

Greater safety and security

Customers
SL is working to increase the number and satisfaction of customers.



Safety and security are highly prioritised at SL. Safety is a critical aspect that may never be jeopardised, and both employees and travellers should feel secure in SL traffic.

Perceived security in SL traffic is a combination of freedom from accidents, threats, violence and the effects of graffiti and other forms of vandalism. However, a sense of insecurity is a public trend, particularly in big cities, and SL traffic is generally not considered less secure than other environments in Sweden.

In the past year SL drafted a new traffic safety policy in association with the Swedish Public Transport Association (SLTF) and the National Federation of Bus Transport Operators. SL has also taken part in a couple of large-scale emergency readiness exercises at the regional and national level in cooperation with several other public organisations, including the Stockholm County Council and the Swedish Emergency Management Agency (SEMA). This has resulted in the revision of SL's crisis management plan and the addition of new functions to the crisis management organisation.

Customer survey

Perceived security affects the level of customer satisfaction. SL's recurring customer surveys include questions about security. In the survey last autumn, 62% of the respondents stated that they feel secure when travelling alone on weekends and evenings. Buses and local trains are perceived as more secure than underground and commuter trains. Insecurity is greatest on the way to and from stops and stations. SL's female travellers, particularly young women, reported the highest level of insecurity when travelling alone after dark and/or at night and on weekends. However, perceived security among women has increased on all transport types compared to the previous year, where camera surveillance is one explanation for the improvement. In 2008 trials are being conducted with extended customer service and more visible staff at a number of underground stations.

Security Center moved to new premises

For the past year, SL's Security Center coordinates all contacts with security guards, the police, Lugna gatan, voluntary youth support patrols, etc. The Security Center is staffed with SL employees and is open 24 hours a day, all year round. The Security Center operators handle calls, prioritise and mobilise resources to deal with security problems throughout the SL transport system, handling some 3,000 cases per month, the majority on Fridays and Saturdays. Customers call

08-600 10 00 and press 5 to reach the Security Center, which in 2007 moved into new premises at Lindhagensterrassen.

Security guards

According to a decision by the County Administrative Board during the year, SL's contracted security guards have been given permission to operate throughout the county. The joint Security Center has improved coordination and made it possible to move guard resources within the county, as needed. In 2007 SL also introduced new red and black uniforms for all security guards that create greater visibility and a friendlier impression. In its procurement of guard services, SL has demanded that the guards be service-oriented and able to handle conflicts in a rational manner. The security guards are also given special SL training.

In surveys, travellers say that they feel threatened by "gang-like groups". This also applies to groups of SL personnel, which in the future will not work in larger groups than is necessary.

Security hosts

In 2007 SL decided to procure Security Hosts, under the supervision of the Lugna Gatan Project. The Security Hosts, which work primarily with young people, have no special authority and the primary task is to establish contact and relations with young people in areas where SL has problems with disruptive behaviour.

Security cameras

Installation of security cameras in SL traffic is underway. In the past year, half of all 2,000 buses were equipped with cameras. When completed in 2008, there will be around in total 18,000 security cameras in all underground stations, certain commuter train stations and all buses and trains. Surveys show that the majority of travellers see security cameras as something positive. They contribute to a greater sense of security, but also have a preventative effect on crime and can be used in criminal investigations, both to convict and free from suspicion. The cameras in the underground are connected directly to the Security Center and soon also to the Traffic Control Centre, and will then become a valuable tool for advising travellers and the emergency services if a station needs to be evacuated.



The Security Center is open 24 hours a day, all year round.



Intelligent fire alarms are being successively installed in the underground's tunnels. These alarms can tell the difference between diesel gas and foreign gas, and are also able to track the source of gas emissions.

The cameras in the underground system are equipped with track alarms. If an unauthorised person enters the track area, the Security Center and respective traffic control staff are immediately alerted. At the international level, there is a strong interest in SL's system structure based on integration of different types of alarms, the Security Center, camera technology, emergency telephones, etc.

Better travel environments

Cleaning, design, lighting, colours and artistic decoration are all important factors in creating a positive and secure travel experience. Insecure environments are being gradually eliminated in connection with rebuilding and renovation. In one such case, the remodelled north end of the T-Centralen underground hub has been greatly improved from a security standpoint.

SL is participating in an EU-funded research project that has studied perceived security and station design throughout Europe. The aim is to learn more about crime prevention and security-enhancing environments. The report will be published in 2008.

Perceived security among travellers has increased in SL traffic.

Graffiti and vandalism

SL collaborates in networks with the police and local district councils/municipalities to reduce vandalism and disruptions of other types. The special underground police officers have been given greater resources and a permanent graffiti commission has been established. SL's anti-vandalism database went into operation during the year and will be implemented in full during 2008. The database documents all types of vandalism and graffiti for further investigation by the police, and a consequence of this is that graffiti "tags" are now searchable. The documentation can be used as evidence in criminal investigations and has already led to convictions with payment of damages to SL.

SL has special security guards who work exclusively with property protection, an area where there were major problems in the spring of 2007. Following especially good efforts from the guards in the second half of the year, vandalism was reduced in both the underground and commuter trains. Unfortunately, damage to bus shelters increased, and SL is studying a new design for the shelters. Information activities have also been started.

Fire safety

The first trial section of SL's specially developed fire alarm system with a "nose" for the correct mix of gas fumes has been installed in the underground system. The tunnels on the Medborgarplatsen-Skanstull section are first out, and installation will continue during 2008–2009. The project for installation of fire gas ventilation and smoke barriers between the platforms and escalators at stations with a single entrance/exit has continued.

A systematic fire protection analysis of all stations, depots and tunnels is in progress and will be completed during 2008. Aside from analysis, SL has arranged training of contractor personnel to successively implement a systematic fire protection system including internal control and fire protection control.



The new security guard uniforms in red and black will create greater visibility and a friendlier impression. All security guards in the SL transport system are given special SL training.

The transport contractors are SL's interface with the public

Suppliers

SL maintains a professional relationship with its suppliers and collaborates closely with the partners that have a decisive influence on the quality of SL transports.



To a large extent, SL functions as a buyer organisation with special expertise and responsibility for public transport in Stockholm County. The provision of SL's transport services relies on a number of suppliers, both transport contractors and others such as sales agents, contractors for construction, operating and maintenance services and suppliers of goods and services.

SL's success is dependent on suppliers that are able to meet traveller demands on quality and competence. Professional relationships founded on trust and partnership are necessary to fulfil the basic customer promise.

Interface with customers

Since the 1990s, external contractors are responsible for operation of SL transports. These partnerships are regulated through a number of agreements. It is the transport contractors' employees who work on the front lines and have day-to-day contact with SL's travellers. 14,000 bus drivers, ticket booth employees, conductors, train hosts, train drivers, cleaners and others contribute to the overall picture of SL. Other vocational groups such as security guards, ticket inspectors and sales agents also influence public perceptions of SL. This has been taken up in a new market communication strategy formulated by SL in 2007.

Procurement of transport contractors

All SL transport services have now been pro-

cured at least once in international competition. In new procurements, the tender documentation and specifications are of the utmost importance. Over time, the emphasis has shifted from a pure cost focus to quality enhancements aimed at increasing the number and satisfaction of customers. SL also develops its agreements so that these also contain incentive mechanisms that are designed to motivate the transport contractors to raise their level of quality and therefore also profitability during the contract period.

The basic structure consists of all of the technical factors that guarantee safety and punctuality, with the provision that SL is responsible for marketing. Added to this are various requirements for quality and performance management. SL's transport procurements normally entail the transfer of operations from an incumbent to an incoming transport contractor, in which case the new contractor is required to offer the existing personnel continued employment. Agreements normally run for a period

of five years with an option for extension by SL. In 2007, one such five-year extension was granted to Roslagståg for operation of the Roslagen suburban railway. At the same time, Roslagståg took over maintenance from SL's partly-owned service company Tågäta and now has total responsibility for this traffic. A letter of intent has been signed with Veolia Transport for a two-year extension of the agreement for the other local trains.

In 2007 SL started a procurement of underground transport services.

In 2008 SL will invite tenders for underground transport services for the first time since the 1990s, and for station and customer services for the first time ever. In the past year SL allocated major resources to the creation of a comprehensive specification of requirements to ensure continued development and service in line with current and future needs. The agreement is effective as of 2009 and will run for at least 8 and at most 14 years.

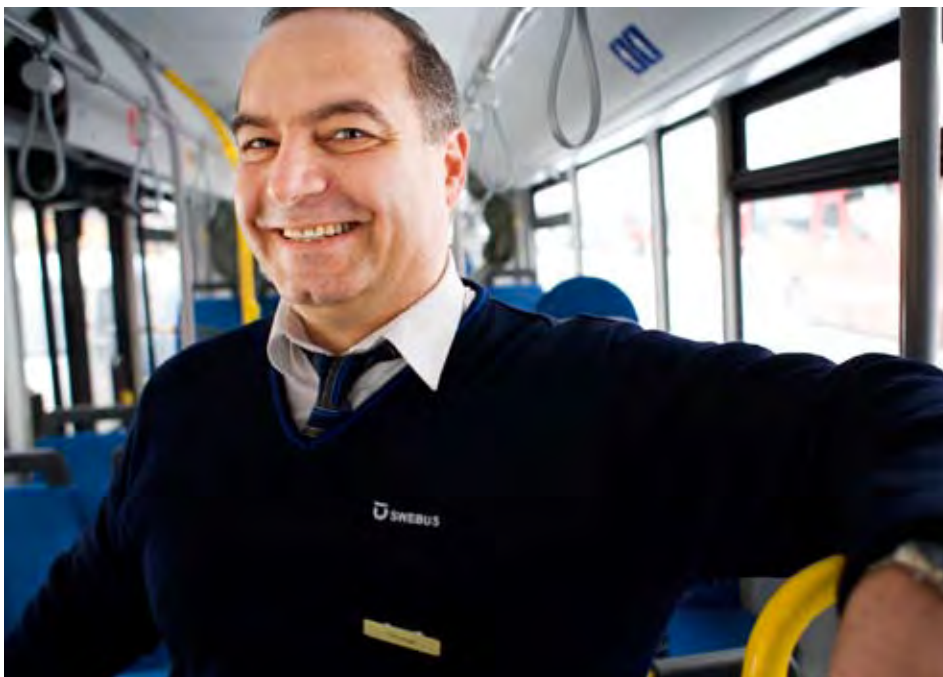
New bus transports

In December 2007 an award decision was made in the procurement of bus transport services for the Sigtuna/Upplands Väsby and Ekerö traffic areas. According to SL, Arriva Sverige AB made the most financially advantageous bid.

In the past year SL procured replacement transports for the summer period when the Roslagen and Saltsjö suburban railways were closed for renovation. Procurement of the extensive replacement transports needed during the upcoming renovation of the Green Line's Farsta section was won by Busslink. A large number of buses and some 100 bus drivers will provide high-frequency services.

Performance evaluation

SL uses various methods for performance evaluation, mainly automated systems that monitor transport services and the so-called mystery shopper method in which independent persons make observations in traffic and



The transport contractors' bus drivers, ticket booth staff, conductors, train hosts, train drivers, cleaners, etc., provide daily service to SL's travellers.



Buyer

Day-to-day transport services are procured from transport contractors in international competition. SL is responsible for the overall scope, quality, development and marketing of transport services, and for ensuring functioning interchanges between the different transport types. SL's transport system ties together four different transport types and five transport contractors in a joint fare system. SL owns the underground carriages and tracks, the commuter trains, certain buses and the depots for repairs and maintenance.



Travellers



Veolia Transport Sverige



Busslink



Roslagståg



Stockholmståg



Swebus

at the stations and report on everything from cleanliness to employee attitudes. Measurement of the number of satisfied customers is another important element of performance evaluation, see also page 8. Furthermore, regular audits are conducted for assessment of specific quality or environmental aspects.

Working environment in the SL traffic

SL takes a proactive approach to development of the working environment for the transport personnel. It should be safe, secure and attractive to work in SL traffic. Since SL procures transport services but also owns and manages extensive infrastructure - rail-bound vehicles, bus depots, radio systems, sales systems, etc. - SL feels far-reaching responsibility for the working conditions of the contractors operating in SL traffic. SL also places demands on the contractors to offer reasonable working conditions and take measures to improve the working environment.

traffic and agents. To facilitate the transition to SL Access, the new payment system, meetings were arranged and new agreements signed with all agents during the year.

It is a major task to keep every sales point up-to-date on prices, the product range, tickets and cards. In the past year both SL and the sales channels were put to the test on several occasions - when cash handling was discontinued on buses, when the cash fare was raised in rail-bound traffic, when the zone system was reintroduced with whole new ticket types, when the new resellers started up and when the old single fare tickets were removed from traffic. 20,000 orders for a value of SEK 4 billion were registered during the year.

SL's ticket sales to companies also gained momentum with more than 2,000 established corporate customers and total sales of over SEK 25 million during 2007.

Many different sales points for SL's tickets

Sales points of various types

SL's tickets are sold through a range of different channels, both personal and automated. The product range differs between channels. In rail-bound traffic and at SL Centers, tickets are sold by SL's transport contractors. Pressbyrå shops are the single largest sales channel with 123 agents, but SL also has agency agreements with 232 private newsagents and food shops. A new network of 365 resellers was built up during 2007. The agents sell tickets on a commission basis, while the resellers have sales agreements. The period cards are sold by SL Centers, barrier kiosks in commuter



Veolia Transport Sverige operates the underground system, the Light Rail, the Lidingö suburban railway, the Nockeby light rail and the Saltsjöbanan suburban railway. Veolia Transport Sverige is owned by Veolia Environment.

Busslink provides bus services on behalf of SL in inner-city Stockholm, Norrtälje, Täby, Österåker, Vaxholm, Danderyd, Lidingö, Hanninge, Nynäshamn and Söderort. The company is 70%-owned by France-based Keolis and 30%-owned by SL.

Roslagståg has been responsible for transport services and operation of the station on the Roslagen suburban railway since 2003. As of 2008, Roslagståg has also taken over maintenance of the trains. The company is owned by DSB (Danske Statsbaner) in Denmark and Tågkompaniet. The majority owner is DSB.

Stockholmståg took over operation of commuter train traffic including station services in 2006. Stockholmståg has been formed jointly by SJ and Tågkompaniet, in which the co-owners include Norska Statsbanorna, NSB.

Swebus provides SL with bus services in Södertälje, Bromma, Tyresö, Sigtuna/Vallentuna/Upplands Väsby and Ekerö (through August 2008), Nacka/Värmdö, Huddinge/Botkyrka and Järfälla/Upplands Bro. Swebus is wholly owned by Concordia Bus.

Arriva Sverige In accordance with the award decision, Arriva will operate bus transports on behalf of SL in Sigtuna/Upplands Väsby and Ekerö as of August 2008.

SL Customer Service is a partly owned subsidiary of SL. 51% of the company is owned by SL and the other part-owners are Busslink with 13.9%, Stockholmståg with 5.1%, Veolia Transport with 22%, Roslagståg with 0.7% and Swebus with 7.3%.

Employees with skill and dedication

Employees

SL strives to be an attractive employer in order to recruit and retain employees who can realise SL's vision.



SL is committed to meeting customer demands today and in the future. To realise this mission, it is of the utmost importance that SL has dedicated, competent and motivated employees.

Employee strategies

SL strives to be an attractive employer that can recruit, develop and retain the employees needed to realise SL's vision.

Secure the right competence – goal-oriented skills development and forward-looking recruitments are critical for SL's ability to satisfy the demands of a changing world.

Increase participation and cooperation – dedicated leadership is an essential requirement for increased participation and cooperation. Adequate information and regular dialogue help individuals to recognise their role in the greater context of the organisation.

Clear and committed leadership

During the autumn 2007, an internal programme was carried out for 20 new managers at SL. The main objective was to give these a clear idea of their role as manager/employer and knowledge about SL-specific policies/routines, above all in the human resources area.

In the yearly employee survey, the Satisfied Employee Index was unchanged at 67%. The response rate was 84%, which is slightly above the national average. Following the previous year's survey, action plans were formulated and steps taken in the areas of performance monitoring, efficiency, stress/workload, companionship at work and management. Follow-up has been improved at both the organisational and individual level and measures have been taken to ensure better feedback. The share of employees that underwent performance reviews increased from 85% to 91% and the quality of the reviews was raised.

A large-scale programme has been carried out to establish SL's values according to the SAFE model. In Swedish, SAFE stands for cooperation, responsibility, trust and commitment, which are the guiding principles for everyone working at SL and in SL traffic.

Secure the right competence

A dynamic labour market led to somewhat higher employee turnover than previously. Personnel activities in 2007 were dominated by the recruitment of new employees as SL filled more than 100 positions, of which 40 were completely new. SL's primary aim has been to strengthen the or-

ganisation for higher ambitions and effective administration of completed investments, as well as replacing certain consultants with its own staff. Access to qualified applicants was insufficient in a few vocational categories, mainly among project managers and experienced specialists in IT, engineering and property management.

Equality

SL strives for an even gender distribution in all vocational categories – including management. The management training programmes carried out in 2007 also covered the equality perspective. Of the 13 managerial positions that were filled during the year, women were appointed to eight. The Executive Management and traffic planners were trained in equality and gender-equal transports, and introductory courses for new employees were carried out on several occasions.

Occupational health and safety

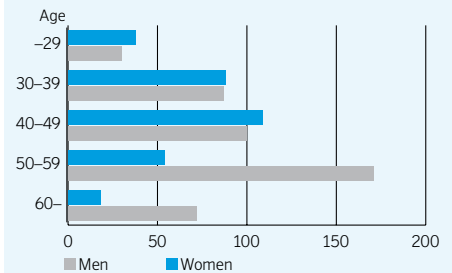
Sickness absence increased somewhat in 2007 and reached 5.3%. In cases where sickness absence exceeds four weeks or a doctor's certificate shows that the illness is probably work-related, SL helps to initiate and take part in rehabilitation plans. The company health service has been used for targeted activities in the workplace, such as workplace ergonomics rounds and lectures about stress and well-being on the job. To help prevent sickness, SL offers all employees a free health exam every other year and subsidises fitness activities. The year's introduction of fitness vouchers led to increased participation.

In 2007 SL took measures to reduce noise and correct shortcomings in the indoor climate at the head office. Additional premises have been leased so that the number of employees per

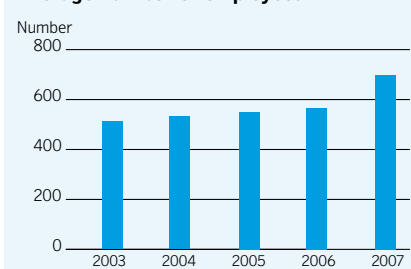


New investments and retirement attrition are increasing the need for employee recruitment at SL.

Age structure, number of employees



Average number of employees



The average number of employees in the Group increased to 699 during 2007 (567 in 2006). The number of employees at 31 December was 817 (722 in 2006). The share of women was 35% (33% in 2006) and the share of women managers was 45% (40 in 2006). For definitions, see page 65.

square meter can be reduced to the level the office was originally intended for.

Skills development for transport personnel

A shortage of staff is starting to emerge in several transport types. Although the transport contractors are responsible for skills development and recruitment of transport personnel, SL has a long-term interest in this matter and has therefore taken action by establishing the so-called SL Academy by decision of SL's Board in 2006. In the past year, SL launched several different initiatives to improve the scope for recruitment of transport personnel in a longer perspective.

Brand-building in the labour market

Perceptions of SL as an interesting employer have been deemed inadequate. In order to attract more qualified applicants, SL is working actively to enhance its brand in the labour market. In particular, SL has collaborated with universities to spread knowledge about the company's important role and exciting future. In 2008 SL will offer thesis project opportunities in engineering, as well as work experience and temporary positions for recent engineering graduates. In the coming year SL will also participate in the Royal Institute of Technology's job fairs.

SL plays an important role in society

Society
SL contributes to long-term sustainable development in social, economic and ecological balance.



SL plays an active role in the social debate as a means for addressing the needs of public transport users and thereby creating favourable conditions for SL traffic. Because so many people are affected by SL, it is vital that SL always makes socio-economic assessments and sets a good example from an ethical standpoint.

A socioethical approach

As an employer and significant buyer of goods and services, SL is responsible for ensuring that the employment and production conditions in both its own organisation and those of its suppliers meet high ethical standards. An effort has been started to analyse the extent to which SL can make social demands on its suppliers against the background of new Swedish procurement rules and the ten principles in the UN's Global Compact. The Global Compact is based on the UN's Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the UN's Rio Declaration on Environment and Development and the UN's Convention against Corruption.

Active in social planning

In the past year SL took part in a project known as "JämKom" (Gender Equality in Public Transport). The project's final report highlights the factors that are vital in creating gender equality in the transport system. Among other things, the report underlines the importance of a gender-equal planning process that incorporates the needs, conditions and ideas of both genders and increases knowledge about travel patterns and values. One important conclusion is that equality and customer focus go hand-in-hand – when operations are customer-oriented they are also gender equal. At present SL has more female public transport users than male, but the ratio is more equal in Stockholm than in the rest of the country.

SL listens to children and young people

Children and young people have long been one of SL's prioritised target groups. Around one fourth of Stockholm County residents are under the age of 25, and SL's relationship with them is important in both the short and long term. SL's perspective on children is based on the UN's Convention on the Rights of the Child, which is also referred to in SL's agreements with the transport contractors. In 2007 SL continued its internal courses on the child convention together with Save the Children. SL's customer service staff and ticket inspectors were two of the employee categories that had not yet received training.

SL works continuously to ensure that the needs of children and young people are taken into consideration in its operations, partly through child and youth councils and partly through recurring surveys and information activities in schools. In 2007

SL's 33 school liaison officers visited some 30,000 pupils throughout the county. The focus has been on children in grade 5. One new feature for the year is that information about SL's school liaison officers is now posted on the schools' staff intranets, which has gained an enthusiastic response.

SL is one of Sweden's most media-covered companies.

In the past year SL has consulted children and young people, for example in user tests of ticket vending machines for SL Access, the new payment system, for evaluation of a new youth ticket and in testing of new maps. A qualitative survey on children's attitudes and needs was also carried out. Among other things, it was found that children would rather turn to SL personnel than other travellers if they need assistance during transports. In response to this, in 2007 SL produced a film about courteous and helpful treatment of children for training of the transport contractors' front staff.

SL of great interest to the media

Because SL's operations are both local and well known, they have an enormous media value. In the past year SL issued 44 press releases and arranged four major presentations for the media.

In addition, the media itself generated many published features through its own coverage of SL. Many letters to the editor columns and a number of blogs also provide a running commentary on developments at SL. In average, between 20 and 30 reports per day about SL and SL traffic are published in newspapers and on the radio, TV and Internet. These generally focus on major construction projects, initiatives with large budgets, weather-related issues and expansion of rail-bound traffic. Many articles in 2007 have been concerned with SL Access, price increases and the ban on cash handling in traffic. SL's security cameras were another frequent topic, often in a positive sense but also when the cameras have been out of order or not in use. The ethanol and biogas buses also attracted considerable attention throughout the year.

The media's intense coverage of SL is mainly due to its:

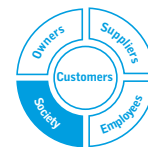
- Relationship with many citizens
- County-owned status
- High annual revenue
- High visibility in the urban environment
- Many large and visible projects, such as rebuilding, new trains, new tracks, new payment system
- Consumer services
- Local importance



In SL's tent at the Young08 youth festival, many children and teens stood in line to receive an SL water tattoo from a security guard or underground police officer.

Consistent environmental focus

Society
SL contributes to long-term sustainable development in social, economic and ecological balance.



SL transports are a central component of efforts to realise the Stockholm region's overall vision for long-term sustainable development in ecological balance.

Public transport is one of the most eco-efficient ways to travel, which makes a very strong argument in favour of SL.

In a survey during 2007, 68% of the responding SL customers answered that they felt environmentally aware when travelling with SL. SL goes one step further in its environmental responsibility and is working continuously to adapt its already eco-friendly transports to further reduce their environmental impact.

Environmental policy

SL will preserve its status as the most environmentally-friendly travel alternative and an environmental role model in the transport industry.

The eco-efficiency of SL's transport services will be continuously improved.

Aside from complying with the relevant laws, SL makes demands on its traffic and infrastructure that lead to:

- Reduced usage of fossil fuels.
- Lower emissions of airborne pollutants.
- An increased share of resources that are part of the natural eco-cycle.
- The best possible choice of products from an environmental perspective.
- Reduced noise in SL traffic.

In order to establish relevant environmental requirements, SL must have good insight into how SL and its transports affect the environment.

Principles

- SL will actively participate in, initiate and drive the development of an eco-adapted transport system.
- 100% of SL's rail traffic will continue to be powered with electricity from renewable sources.
- SL will maintain a high level of expertise in environmental issues.

- When purchasing new rolling stock, at least 95% of the material in the vehicles must be recyclable when dismantled.
- SL will continue working actively to increase the number of public transport travellers and encourage fewer people to use a car, resulting in reduced environmental impact from the transport industry.

In 2007 SL adopted a new noise policy containing established guidelines and limit values for the levels at which noise mitigation measures will be taken.

Working methods

SL's environmental work is based on an environmental policy and the aspects of its operations with the greatest negative impact on the environment. Systematic environmental efforts are made by setting targets, developing routines, handling deviations and following up performance.



To facilitate systematic and structured environmental efforts, SL works according to the international ISO 14001 standard. In 2007 the existing certification was revised and extended. The subsidiary SL HR-Service AB, which services the lifts and escalators in SL traffic, received its own ISO14001 certification during the year.

Because SL is essentially a purchasing organisation, its environmental activities consist mainly of imposing contractual requirements and following up these agreements with transport providers and other contractors. SL therefore undertakes extensive internal audits of both its own and contractor operations.

SL has the world's largest fleet of ethanol buses. There are also 51 biogas buses in SL traffic.

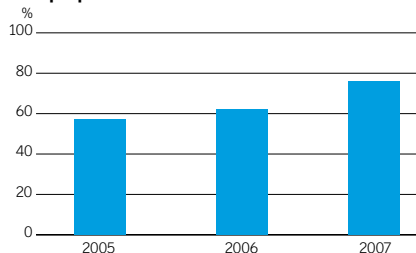
SL – a role model

CO₂ emissions and other environmental pollutants will be further reduced in SL traffic. In the international arena SL has been a good role model in the use of renewable fuel for bus transport and now has the world's largest fleet of ethanol buses. SL's goal is for at least 50% of the buses to run on renewable fuels by 2011 and 100% by 2025.

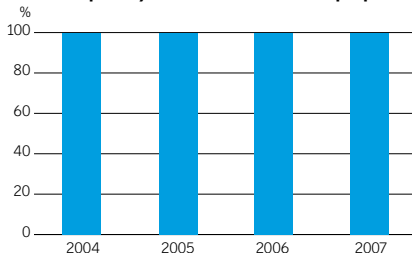
SL has a large fleet of biogas buses in service, currently 51. The delivery agreement with Stockholm Vatten and the Käppala Association will ensure additional expansion of traffic with biogas buses. While the biogas fleet is being increased to 120 buses, the surplus gas will be sold to other users.

SL's focus on renewable fuels is attracting strong international interest. In the past year, around 50 study visits were made to SL from other cities around the world.

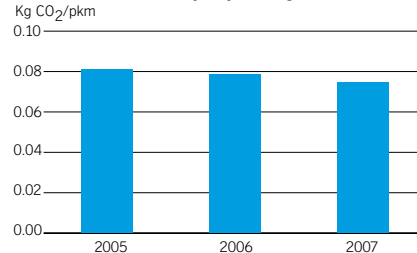
Share of heating from renewable sources in SL's properties:



Share of electricity from renewable sources (hydro and wind power) in SL's rail traffic and properties:



Average kg emissions of fossil carbon dioxide from SL's bus traffic per passenger km:



The corresponding value for an average passenger car in Stockholm is 0.173 kg per passenger km. (Source: SJ's Environmental Calculation 2005)

Key environmental events in 2007:

An additional 10 ethanol buses and 21 biogas buses were delivered to SL traffic and another 30 biogas buses were ordered. An agreement was signed with the Käppala Wastewater treatment plant on Lidingö for delivery of 4 million cubic meters of biogas per year starting in 2010. The municipalities of Nacka and Värmdö will then be connected to the plant and SL plans to use the piping system to transport the extracted biogas to a future bus depot on Värmdö.

The international collaborative project that was started on SL's initiative to create a functioning international market for ethanol buses has continued. The project is part of a larger initiative known as "BEST" (BioEthanol for Sustainable Transport) and receives funding from the EU.

SL has decided to draw up fuel criteria for manufacturers and will place ethical and environmental requirements on fuels of all types.

A new power supply agreement was signed during the year, which means that as of 1 January 2008 all electricity for the underground and local trains is qualified as a "Good Environmental Choice" according to the Swedish Society for Nature Prevention's criteria (95% hydropower, 5% wind power).

A new purchasing agreement for district heating led to an increased share of renewable energy in the Group's properties during 2007.

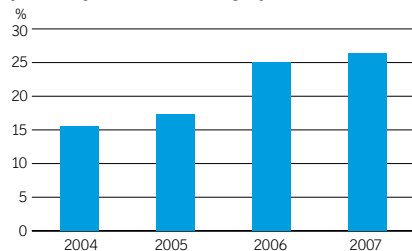
Replacement of the existing system for heating of the electrified third rail has been started. The underground's third rail must sometimes be deiced to achieve sufficient contact between the rail and the train. The tracks were previously heated continuously between November and April. After the replacement, the heating will be turned on and off based on forecasts from the Swedish weather service (SMHI), enabling SL to save both energy and SEK 2 million per year in electricity costs

SL is working to reduce noise at the source. Following a study in 2007, the use of "skirts" is being tested on certain carriages running on the Roslagsbanan suburban railway. Low noise walls of both wood and concrete along the tracks have also been designed.

The inventory of environmentally harmful material in SL's properties was completed during 2007.

Noise-reducing lubrication of tracks has been carried out in the underground on a trial basis.

Share of buses using renewable fuels (currently ethanol and biogas):



The ethanol buses have contributed to a reduction in SL's diesel consumption by 16 million litres annually.

Better accessibility for the disabled

Society
SL contributes to long-term sustainable development in social, economic and ecological balance.



There are approximately 200,000 inhabitants in Stockholm County with some type of functional disability, and this number is expected to increase by 13% over the next ten years. SL is working strenuously to ensure that people with disabilities are also able to use SL's transport services.



SL's goal is to make travel with SL possible for everyone who can get to a station or stop, on their own or with assistance, by 2010 at the latest. In 2007 a number of changes were made to improve accessibility for the disabled.

Collaboration with handicap organisations

SL makes continuous accessibility improvements in line with the adopted action plan for persons with disabilities, and collaborates with various handicap organisations to prioritise the changes that are most urgent. SL's cooperation with the Department of Accessible Transport & Paratransit is being developed and strengthened, among other things through a joint travel card when SL Access, the new payment system, goes into operation. The system of displays and automatic stop announcements that are being implemented in both rail and bus traffic is designed to assist travellers with impaired hearing and vision. At large underground and commuter train stations, it is also possible to order a guide.

Measures in rail-bound traffic during 2007

After developing a new method it has been possible for SL to lower the tracks at ten stations along the Blue Line so that the trains are now

essentially flush with the platform, and this work is continuing. The goal is to eliminate all differences in height between platforms and trains in the underground by 2010. Depending on the conditions at each station, the platforms will either be partially raised or the tracks lowered. After testing of suitable methods, installation of tactile indicators was started at indoor stations in the underground system. This will enable visually impaired travellers to maintain a significantly greater safety distance from the platform edge while moving around at stations. In 2007 this was also carried out along the Blue Line.

At some other stations, the entrances have been equipped with automatic doors and these are now found at nine of ten underground stations. All underground and commuter train stations aside from Södertälje Hamn now have either lifts or escalators/ramps.

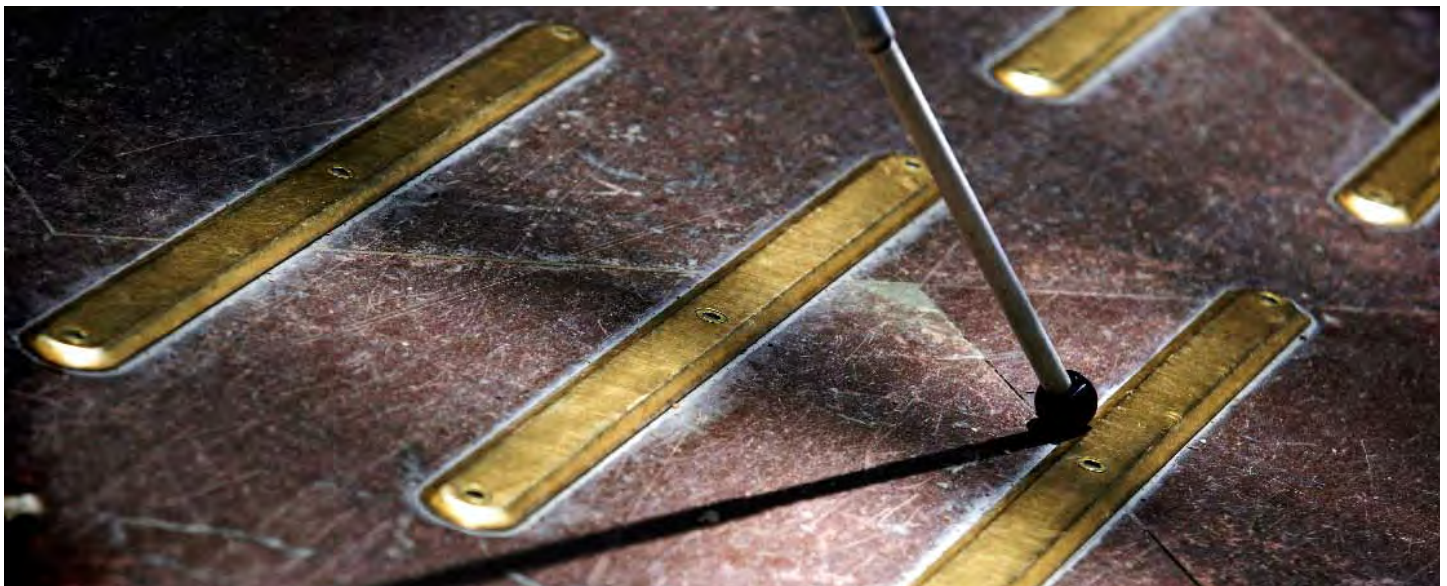
The new commuter trains that are being successively taken into service have floors at platform level, offering greater ease of use for travellers with disabilities. Another prioritised area is to examine how information for the disabled can be improved at stations/stops and via www.sl.se. SL has also introduced an acces-

sibility guarantee that compensates travellers for the cost of a taxi trip if there is a risk for a delay of more than 20 minutes, for example if a scheduled low floor bus fails to arrive or an elevator or ramp is broken.

By 2010, all SL buses will be equipped with ramps or lifts.

Measures in bus traffic during 2007

The purchase of low floor buses is continuing and at year-end 2007 a full 66% of SL's buses were of the low floor type. Several lines with low floor buses are specially marked in the timetable. By 2010, at the latest, all buses in SL traffic will be equipped with ramps or lifts. SL and the handicap organisations have agreed on what measures need to be taken in the bus terminals to ensure good accessibility. In the past year, the agreement was followed up with adaptations at a number of terminals and several more are planned. When new information boards are set up in bus traffic they will be supplemented with talking monitors.



In 2007 the underground stations along the Blue Line were equipped with tactile indicators to warn visually impaired travellers as they near the platform edge. The tracks have also been lowered so that the trains are essentially flush with the platform.

Anniversary for SL's art initiative

Over the years SL has created the world's longest art gallery, with a length of 110 km, an inspired initiative that has attracted considerable international attention. Today, 90 of SL's 100 underground stations are decorated with sculptures, mosaics or paintings.

Every year SL spends SEK 10 million on art in the travel environment. This art enhances the time spent in the underground, contributes to creating a more secure and pleasant environment and helps people to orientate themselves. The 50th anniversary of this focus on art was celebrated in 2007.

50 years of art in the underground

The opening of Stockholm's absolute hub, the T-Centralen underground station, symbolised the emergence of a modern approach to travel and art. The decision-makers were ahead of their time, since it was no foregone conclusion to build an underground system in a city as small as Stockholm was then. Well known artists Siri Derkert and Vera Nilsson promoted the idea of public art in the underground and succeeded in winning support.

On 23 November 1957 an inauguration ceremony was held at T-Centralen. The actual cause for celebration was a new link between Slussen and Hötorget that made it possible to travel through the city without transfers, but this was also the start of a large and unique art initiative in the underground. Exactly 50 years later, a three-day celebration was held to commemorate the occasion.

From the very start, rigorous requirements were made on the durability of the artworks and their ability to withstand the underground's harsh environment. Despite this, the art must be cleaned and renovated for large sums every year, often due to vandalism. Hopefully, these attacks will be reduced with the help of the new anti-vandalism database deployed by SL during the year.

Art promotes well-being.

Popular art tours

Once every week except during the summer, underground art tours are led by trained art guides. These tours, known as "art rides", often attract 20–30 art enthusiasts of all ages. The only thing needed to join the tour is a valid SL ticket. Departure times and gathering points are announced on sl.se and on SL's page in the free-of-charge newspaper Metro.

Fixed and temporary exhibits

In 2007 an artistic decoration programme commenced at a number of underground stations. The station in Vällingby will be given new

sculptures by Helén Partos and Klara Källström has created a new work in enamel for the track walls at Danderyd Hospital. In 2004 SL started a film project with four monitors at the Skanstull underground station where the primary goal has been to showcase new trends in contemporary art film. Since then, a number of films by different artists have been shown and the ambition is to change these once or twice a year. Ahead of the fourth film showing, three artists were selected and given the chance to submit ideas for new films. A new art film by Magnus Wallin has been shown at Skanstull during 2007.

New black-and-white art pictures were placed between the advertising signs in the underground stations at Slussen and Fridhemsplan. The art pictures will be changed every year and the idea is to also expose the travellers to non-commercial expressions while they wait. In the same manner, new art photos/colour signals have been set up at Gärdet and Zinkensdamm and will also be changed every year.

The large glass case at Odenplan station continued showing the temporary exhibits that have

been changed every third month since 1996. The artworks are selected during the spring and summer from student exhibits at the art and design schools in Stockholm. So far, 44 exhibits have been presented at the station.

In 1993 SL started its "Poetry in Motion" programme inspired by London underground. Every year, 12 poems on a chosen theme have been displayed in SL traffic. In 2007 the project came to an end after 15 years of publication.

More visitors to Stockholm Transport Museum

The museum attracted 89,000 visitors, an increase of 8%, of which close to half were children and young people. Technology lectures were a popular new feature for the year, and museum lectures about local transport history and art in the underground were held for 300 school groups. A temporary photo exhibit of Stockholm images by photographer Hans Eke-stang was a major success. The museum's revenue from entrance fees and sales amounted to over SEK 2.4 million, an increase of nearly 15%.

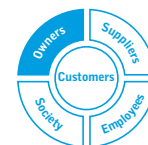


50th anniversary of art in the underground. The occasion was marked with a three-day celebration in T-Centralen's ticket hall, at the Stockholm Transport Museum with exhibits, discussions and a children's party, and through anniversary art rides in the underground. In connection with the anniversary, a revised edition of the book about the birth of the underground and art at the stations was published.

Ticket sales and other revenue sources

Owners

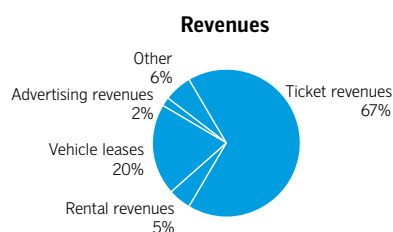
SL contributes to a well balanced transport system from a socioeconomic perspective. SL's transport services are to be provided in a commercially efficient manner without in any way jeopardising safety within the financial limits set by its owner.



Following a decision by the Swedish Work Environment Authority, all cash handling in SL's bus traffic ceased as of 31 March 2007. To ensure continued access to tickets, 300 new agents were recruited as a first step in expanding the reseller network and 300 ticket vending machines were installed throughout the county, mainly in connection with bus transports.

A new type of ticket

To increase flexibility, in January SL launched a new text message ticket that was well received. In November SL began trials of automatic optical reading of text message tickets onboard a number of Lidingö buses. Tenders for established text messaging service with an option for mechanical readers will be invited in the spring of 2008.



SL's total revenue excluding operating subsidies from the Stockholm County Council, SLL amounted to SEK 6,685 million in 2007. Ticket revenues rose by 11% compared to 2006.

New fare system as of 1 April

After less than one year in operation, the flat fare system was discontinued on 31 March and a new zone fare system was introduced. Experience from the former zone system was reused

and resulted in a more logical zone division. The new system was based on three zones, of which the entire underground system is contained within one. The pre-paid ticket slip was reintroduced as a convenient alternative for customers who travel infrequently with SL.

SL's student discount

In August SL launched a new term-based discounted period card for students enrolled at least 75% at a college or university. SL's student card is available in three different time periods and is sold at SL Centers, four commuter train stations and as of 1 January 2008 also at 12 Pressbyrå outlets. The new card was highly appreciated and more than 36,000 student cards were sold in the autumn of 2007.

In August SL launched a discount period card for students.

Closed cash handling in ticket booths

In 2007 a project was started for the procurement of a secure and user-friendly PC-based support system to be used, among other things, for handling of cash in the underground's ticket booths. The system will offer a number of

advantages for customer service and revenue protection, at the same time that it provides scope to boost revenue and reduce cash handling costs. The system is expected to be fully deployed during 2008.

New signage for sales points

A new and uniform signage system for SL's authorised sales points was developed during the year and sent to all private agents and resellers. Flags and decals adapted to SL's graphic identity have created new and clear signals for customers seeking tickets in the urban environment.

Procurement of traffic advertising contracts

SL owns two major advertising contracts; the traffic advertising contract and the bus/train shelter contract. The latter was procured in 2006 and led to a change of supplier from Clear Channel to JCDecaux. The formal transfer took place in 2007.

The twice as large traffic advertising contract was put to tender during the year and awarded to the previous supplier Clear Channel. The ability to develop digital media was a key requirement in the procurement. In terms of revenue, the procurement led to a very positive outcome compared to the earlier contract. Towards the end of the year, a project for the development and establishment of digital displays in the subway



More than 300 ticket vending machines were installed throughout the county to ensure access to tickets.

Ticket revenues in 2007

	SEK M	Share, %
30-day cards	2,155	48.7
Seasonal cards	331	7.5
Annual and corporate cards	14	0.3
7-day cards	42	1.0
1-day and 3-day cards	71	1.6
School and student cards	274	6.2
Pre-paid ticket strips	901	20.4
Cash/pre-paid tickets	148	3.4
Text message and vending machine tickets	85	1.9
Single-fare tickets, including pre-paid	348	7.9
Other	50	1.1
Contractors' service card	55	—
Total	4,476	100

Ticket revenues in 2007 rose by SEK 427 million compared to 2006, when they amounted to SEK 4,049 million.



Flags and decals created clear signals for customers seeking tickets in the urban environment.

was started with a feasibility study and tests to see which type of information is suitable to show. In the event of full implementation, the digital displays will be installed on platforms, along escalators and on larger dividing walls, as well as on-board buses and rail-bound vehicles. The displays can show traffic information, SL information, news updates, advertisements and surveillance pictures from security cameras at the respective station. A positive effect on public perceptions of SL travel and SL as a company is anticipated.

Ticket range revised for launch of SL Access

In 2007 the range of tickets was revised in preparation for SL's new payment system, SL Access. The changes have been based on SL's customer surveys and resulted in a more customer-adapted offering with greater freedom of choice and a number of new added values. Another aim has been to simplify and clarify the various ticket alternatives.

Combi-trips with taxi

In the autumn of 2007, meetings were held with Stockholm's three largest taxi companies to discuss the potential for combi-trips using SL transports and taxi. The Department of Accessible Transport & Paratransit has a system for transport co-planning that could most likely be used after some modification. An in-depth study will be carried out during 2008.

Joint fare system

In the past year SL and representatives from TIM, Trafik i Mälardalen, developed a model for a joint fare and discount system to enable travel across the region's county lines. The system includes both period card and single fare

journeys, and is intended to offer travellers with smart cards from one of the participating transport providers or SJ the opportunity to travel with several local transport providers and SJ on the same card. For this to be possible, all of the transport providers must devise smart card systems that conform to a uniform standard. The ambition is to create a logical and financially advantageous system that promotes increased use of public transport.

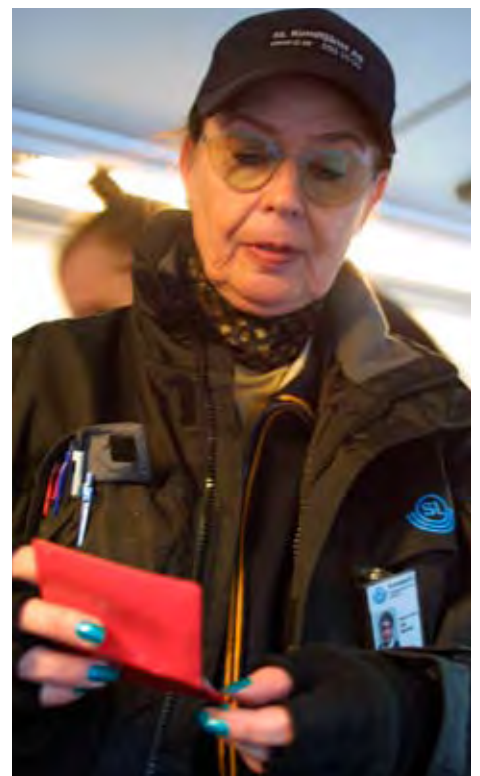
A project has been started for the development of digital displays in the underground.

SL and Upplands Lokaltrafik, SL's counterpart in the County of Uppsala, also began working on a joint period card for travellers between Uppsala and Stockholm counties that is planned for launch in autumn 2008. Another project commenced during the year with participants from several different transport providers to create a joint fare system for commuters in the Mälardalen region.

Fare dodging and non-payment in focus

A number of measures have been taken to reduce fare dodging and non-payment in SL's traffic, including ticket vending machines that make it possible to pay for tickets even when the ticket booth is unmanned and the replacement of turnstiles at certain stations with sliding glass barriers.

Sales incentives for transport personnel have also been developed. In certain cases, the existing laws need to be adapted to enable adequate revenue protection.

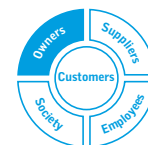


SL's ticket inspectors work actively to reduce non-payment and fare dodging. In 2007 the penalty for lack of a valid ticket was raised from SEK 800 to SEK 1,200.

Property development for the good of all

Owners

SL contributes to a well balanced transport system from a socioeconomic perspective. SL's transport services are to be provided in a commercially efficient manner without in any way jeopardising safety within the financial limits set by its owner.



SL manages land and facilities representing substantial values. These include the land around the Roslagen, Lidingö and Saltsjö suburban railways and nearly all bus depots. The underground tracks and stations are located on land that is owned by the City of Stockholm, and to which SL has the right of use. The commuter train tracks and stations belong to Banverket.

SL has compelling financial reasons to take a more active role in the property market and increasingly cooperate with external players.

Focus on strategic property development

When SL provides new areas with public transport, the local property values normally rise. SL is currently studying the potential to share in the value appreciation enjoyed by property companies and other commercial interests in these situations.

As part of a more strategic and structured method with a more business-driven approach to the Group's properties and their future development, in 2007 SL created a new property development unit that reports directly to the Managing Director. The unit will deal with strategic early-stage property planning, commercial development of properties, planning, surveying, contractual and permitting issues, and buying and selling of properties. To safeguard the interests of SL and public transport users in major new projects, property-related matters need to be addressed early on in the process. For example, the consortium building a new national arena in Solna has seen the Light Rail's new Alvik-Solna section as a vital addition to the existing public transport links. This is also in line with SL's plans, but the solution must be cost-effective and socioeconomically sound for all parties.

Many upcoming projects

Several enormous projects are due to begin in the near future and need to be handled in

a new way, not least with regard to financing. Refurbishment of the Slussen transport interchange is fast approaching, approval has been granted for the City Line commuter rail tunnel and its two new station facilities at Odenplan and Stockholm Central/Klarabergsgatan, and extension of the underground to Karolinska University Hospital will also require construction of a whole new station. In a letter of intent with the Municipality of Nacka, SL is planning to modernise the station environments in connection with renovation of the Saltsjö suburban railway. In view of the new political situation for urban planning in general, SL is also studying the scope to move forward with the already started underground station on the Blue Line in Kymlinge.

Meetingplace SL project

SL's rail-bound traffic includes more than 20 of Sweden's most heavily trafficked stations. These stations are essentially waiting areas in central locations around the Stockholm region that could easily be transformed into more attractive meetingplaces containing a range of everyday services. By creating space for a varied commercial, social and cultural offering, SL can provide its customers with greater convenience and more pleasant and secure environments. Large-scale market surveys have been used to identify market preferences and expectations for the new concept. The services most demanded by travellers are ATM machines, kiosks, mini-marts, pharmacies and cafés. Many

of the respondents felt that a wider range of simple services at the stations would strengthen SL's brand.

A first so-called "Meetingplace SL" was given the green light during the year and will be created at the Birger Jarlsgatan entrance to the Östermalmstorg underground station in the inner-city. The planning and design process has progressed far and construction will begin in the first quarter of 2008. Aside from creating a more attractive and secure environment, the amount of commercial space will be increased by 50%.

New bus depots needed

Several of SL's older bus depots, including the Hornsberg garage and the Söder depot, are located on land that has become attractive for alternative uses such as housing construction. Discussions are now underway with several municipalities for relocation of facilities. New depots can also offer advantages from an environmental and work environment standpoint. In SL's view, it is of the utmost importance that all parties join forces to create effective solutions that will benefit the county's residents.

Better boarding environments

SL is working on development of major transport hubs in SL traffic. In a longer perspective, the intention is to provide travellers with more pleasant and efficient boarding environments.



Meetingplace SL is the working name of a project aimed at transforming a number of heavily trafficked stations into attractive meeting places. The picture above shows how Birger Jarlsgatan entrance to the Östermalmstorg underground station will look after renovation.

AB SL's organisation and management

AB Storstockholms Lokaltrafik is a limited company that is owned by the Stockholm County Council (SLL).

Corporate governance

SLL governs SL through decisions of the County Council Assembly's regarding;

- the articles of association,
- the company's owner directive. There are general directives that apply to all companies owned by SLL,
- SL's Board members
- SL's budget

The County Council Assembly also appoints the lay accountants. The Assembly's decisions are established by SL's highest formal decision-making body, the general meeting of shareholders, which also appoints auditors and deputy auditors.

In addition, there is an ongoing dialogue between political/shareholder representatives and SL's management. Many issues are also resolved by the County Council Assembly, since these decisions are dependent on SLL's ability to contribute financial resources or whether the decisions are of a fundamental or other significant nature.

Politicians and executives working together.

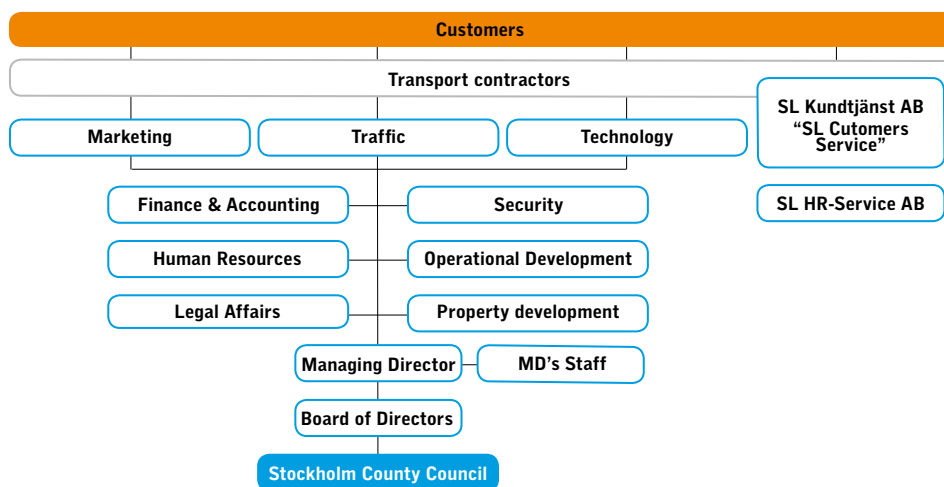
Board and management

SL's Board of Directors and Managing Director oversee and direct the company's operations, ensure that the company's affairs are handled in the most effective manner possible and that its management and administration are suitably structured. They are also responsible for renewal and improvement efforts, administering and developing the organisation and maintaining a dialogue with its owner.

The members of the Board together contribute to a constructive working climate, but it is the Chairman who is responsible for ensuring that the Board discharges its duties in an efficient manner. In consultation with SLL, the Board appoints the Managing Director and determines his/her terms of employment.

Day-to-day operations

SL's organisation is made up of three large units, Marketing, Traffic and Technology, together with a number of support units with various areas of responsibility – the MD's Staff, Property Development, Security, Operational



AB SL is owned by the Stockholm County Council (SLL). The County Council Assembly appoints SL's Board of Directors, which together with the Managing Director is responsible for the conduct of the company's business. Day-to-day operations are handled by three large units and a number of smaller support units. SL HR-Service, a company within SL, is responsible for maintenance and repair on the lifts and escalators/rolling walkways. SL's organisation also includes the company SL Kundtjänst AB (SL Customer Service), which is owned jointly with the transport contractors.

Development, Human Resources, Finance & Accounting and Legal Affairs & Internal Audit. All units report directly to the Managing Director.

The **Marketing** unit is responsible for active sales and marketing of SL transports to county residents, customer-oriented traffic information, market analysis, customer service and SL's various ticket and payment systems. The **Traffic** unit is in charge of short- and long-term traffic planning and develops the service offering and customer environments in bus traffic. The unit also handles matters related to procurement of and collaboration with transport contractors. The **Technology** unit's foremost task is to manage and develop the infrastructure for rail-bound traffic, primarily railway equipment, rail-bound vehicles, properties, customer environments and other technical systems. The role of the **MD's Staff** is to support the Managing Director, Board of Directors and the company's management function. In addition, the Staff is responsible for owner relations and contact with the political organisation, as well as press and media relations.

The **Property Development** unit was added on 1 January 2008, at which time it was given responsibility for SL's strategic property planning including buying, selling and commercial development of properties, planning surveying, contractual and permitting issues. The **Security** unit has general responsibility for all security-related work at SL, with a special emphasis on

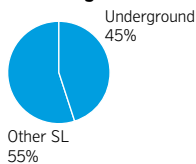
traffic safety and security, the Group's crisis management and fire safety issues. The unit for **Operational Development** handles overall quality and environmental issues and operational planning/monitoring. The **Finance & Accounting** unit oversees overall financing matters and has functional responsibility for all accounting work in the SL Group. The **Human Resources** unit handles employee recruitment and skills development, as well as development and application of the Group's employee and salary policy. SL's unit for **Legal Affairs & Internal Audit** provides general legal advice and legal support for procurements and negotiations and assists with contract drafting and review. Through the internal auditors, the Group's internal management and control are examined and evaluated.

Laws that govern operations

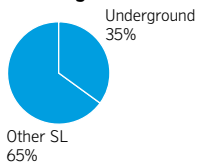
All municipal operations are subject to compliance with the Local Government Act. This also applies to ownership and management of limited companies. Because SL is a limited company, its operations are also regulated by the Swedish Companies Act. As a publicly owned enterprise, SL is subject to Sweden's principle of public access to official documents, and those procurements undertaken by SL to meet the needs of its operations are carried out according to the rules for public procurement in the utilities sector. Furthermore, SL's operations are governed by special legislation such as security laws relating to the underground, light rail and railways.

The underground is the city's main artery

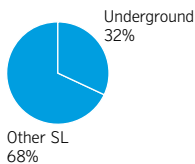
Boardings



Passenger km



Costs



The underground system was successively extended in its early years, but has now had the same coverage and stations since 1994. In the past year, plans were concretised and a decision was made for continued expansion of the underground from Odenplan to Karolinska University Hospital in connection with building of the City Line commuter rail tunnel. Construction is scheduled to begin in 2014.

The underground runs on tracks that are owned by SL, and links together Stockholm's central areas with the local suburbs.

Green Line

Eight of the 10 most heavily trafficked stations are found on the Green Line, which runs from Håsselby strand in the west to Hagsåtra, Farsta Strand and Skarpnäck in the south.

Red Line

The Red Line extends from Mörby Centrum and Ropsten in the north to Fruängen and Norsborg in the southwest.

Blue Line

The Blue Line is the shortest line and has considerably fewer travellers than the Green and Red Lines. The Blue Line runs from Hjulsta and Akalla in Stockholm's northwestern suburbs to Kungsträdgården in the city center.

Quality

Punctuality in traffic rose considerably during the year, from 91.0% in 2006 to 92.7%. The greatest improvement was noted on the Green Line, from 87.8% to 91.6%. However, punctuality on the Green Line is still somewhat lower than that on the other lines, partly due to the significantly higher number of travellers.

Perceived quality in the underground expressed in the share of satisfied customers was 71%, representing an increase of 6% over the preceding year when 65% were satisfied. This is the highest recorded value since SL began measuring customer satisfaction in 2000. On

the Blue Line, the improvement was a full 10% and on the Red Line 8% compared to 2006.

Customers have become markedly more satisfied with the frequency of departures and cleaning of both stations and trains. One area that has earned progressively lower ratings for several years is the employees' treatment of customers and their ability to answer questions. In response to this, Veolia Transport has provided service training for 1,500 ticket booth operators and in the autumn survey a trend break was noted in a rising share of customers who are satisfied with their treatment by SL's staff.

Problem prevention

In 2007 special FIS monitors were introduced in traffic. These monitor the vehicle's error detection system in traffic and decide on measures if an error is indicated. The monitors ensure that problems are detected in time so that serious faults are prevented from developing into risks.

Better capacity on the Green Line

The punctuality and capacity improvement project on the Green Line has continued with changes in the timetable, modification of platforms for better traveller flows and better traffic information on the information boards. Measures to put more carriages into circulation are being studied. Trial operation of six trains every ten minutes had been carried out and evaluated. A new punctuality incentive has been introduced on a trial basis with Veolia Transport, which has also successfully tested the provision of punctuality incentives directly to its staff. Despite this, the number of produced

seat kilometers fell by 2.5% compared to 2006, when traffic output was higher due to the Stockholm congestion charge trial.

Leaf slippage

Leaf slippage, which normally impairs the quality of service during the autumn, was handled superbly despite extremely slippery conditions on the tracks. The minimised effects were achieved through excellent cooperation between SL and all affected contractors. Efforts such as training for smoother driving, better warning information to drivers about anticipated slippage, improved washing of the tracks and increased staffing among vehicle maintenance services during the most critical period made a positive contribution.

Thanks to thorough preparations, the effects of the autumn leaf slippage were minor.

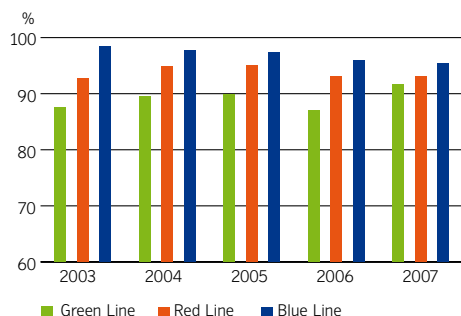
Renovation of the Farsta section

Ahead of the total refurbishment of the 50-year-old Green Line between Skärmarbrink and Farsta Strand, extensive preparations and the procurement of 22 contractors have been carried out. The construction project began already in 2007 with renovation of edge beams on three of the line's bridges. Between 25 March and 17 August 2008, underground traffic on the Farsta section will be replaced with frequent bus departures. By completely closing off the section during renovation it is possible to work more quickly and efficiently than by working only at night. The bridges will be resurfaced and their cables, rails and switches will be replaced, as will their fences and railings. All stations will be freshened up and given new lighting, benches and signs and be made more accessible to the disabled.

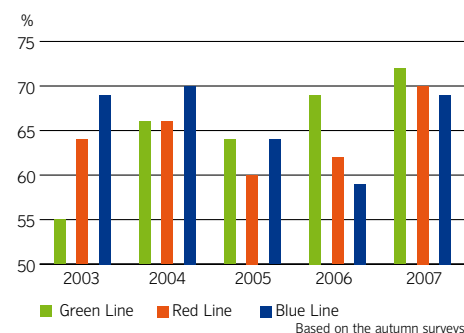
SL Access equipment in place

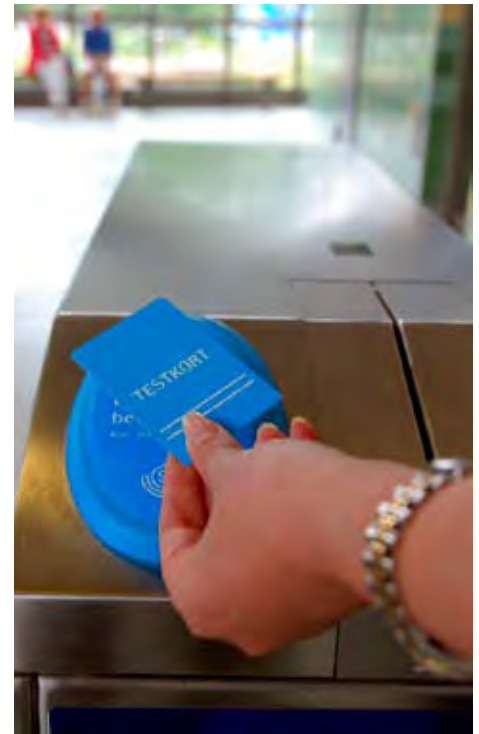
In 2007 card readers for SL Access were installed in all automatic barriers and connected to the control center. The ticket vending

Underground – actual punctuality



Underground – share of satisfied customers





Development and installation of SL's new smart card payment system, SL Access, continued with a high level of activity. In the autumn, large-scale user tests were carried out in the automatic barriers and onboard certain buses.

machines to be used when SL Access goes into operation were installed in kiosks alongside the barriers, and preparation for automatic ticket dispensers started in the ticket halls. Extensive user tests were carried out and followed up.

Underground service around the clock

In the past year a decision was made to introduce 24-hour traffic in the underground on Fridays and Saturdays starting in August 2008.

New signalling system on the Red Line

The signalling system on the Red Line is nearing the end of its service life and must be replaced. A specification of requirements for a modern radio-based system was prepared during the year for procurement in 2008. The new system will provide greater flexibility, for example in train configuration, and will lay the foundation for traffic with driverless trains. Implementation of the new system is planned for 2013.

Preparations for procurement of underground traffic

In 2008, transport and station services will be put to tender for award in 2009. Tender documents containing a number of new requirements were drafted during 2007. The procurement has been announced and the qualification

process has taken place parallel to preparation of the tender documents.

Security

Security cameras were installed at all underground stations aside from the Green Line's Farsta section. In the autumn survey, 45% of women and 66% of men reported that they feel secure when travelling alone at night, compared to 38% and 65% one year ago.

A number of train inspections were carried out during 2007 in cooperation with the police and the social services. In these, an underground train stops for a couple of minutes at a transport hub such as the Gullmarsplan underground station, while the entire train is looked through.

Station and depot maintenance

The underground stations are refurbished continuously according to an annual prioritisation. Graffiti-prevention measures such as replacement of benches and laminate surfacing of doors have been carried out on the Blue Line. The white terrazzo flooring in the underground is being successively replaced with easy-to-clean ceramic tiles. Refurbishment of the underground depots will be completed in 2008. The stations have also been adapted for increased accessibility (see page 22).

Litter is a growing problem and SL is continuing its clean-up project at the underground stations and along a number of underground sections. In 2007, special efforts were made to clean the track walls and the white line. The transport contractor's cleaning department has successfully tested new working methods on a few sections of the Red Line.

To enable travellers to pay even when the ticket boots are unmanned, SL has started setting up automated payment machines. At present, these are available together with explanatory information at the most heavily trafficked stations, above all in the inner-city.

Facts about the underground

Number of stations	100
Number of new vehicles	271
Number of older vehicles	264
Total length	105.7 km
Number of maintenance depots	4
Most heavily trafficked stations, boardings per weekday	
T-Centralen	161,000
Slussen	79,000
Fridhemsplan	52,000
Gullmarsplan	34,000
Östermalmstorg	32,000
Hötorget	32,000

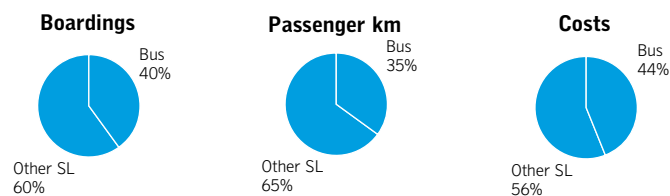
→ The contractor responsible for daily operation of the underground system and stations is Veolia Transport.

	2007	2006
Average boardings per weekday	1,094,000	1,072,000
Number of weekday travellers, change from previous year	+2.1%	+5.5%
Number of travellers, change from previous year	+2.0%	+7.6%
Costs, SEK M	2,713	2,584
Traffic output, change from previous year	-2.5%	+5.7%
Investments, SEK M	782	684

	Green Line	Red Line	Blue Line
Year of opening	1950	1964	1975
Length	41.5	39.7	24.5
Number of stations	49	36	20
Number of journeys per weekday in 2007	500,000	400,000	200,000
Average length of journey	4.6 km	5.5 km	6.0 km

For definitions, see page 65.

Bus traffic wherever, whenever



Buses are the most flexible of SL's transport types. Routes and stops can be quickly extended and changed to adapt service coverage to new needs. Most of the vehicles are owned by SL's transport contractors, while SL owns the depots and other infrastructure in bus traffic.



In SL traffic there are more than 13,000 bus stops scattered throughout the county. Bus transports are a vital complement to rail-bound traffic through connection to the underground and trains at various interchanges, but the buses also account for all public transport service in the municipalities and areas that lack rail-bound traffic.

Together with rail traffic, the trunk routes trafficked by the blue buses form the backbone of SL's network. The trunk routes run all day, every day of the week, and are faster than the other bus lines due to a greater distance between stops. The red buses are mainly used on the local lines and in rural traffic, as well as on night lines. Where passenger volumes are high or capacity in rail-bound traffic is insufficient, the trunk routes are reinforced by direct buses to and from the inner-city. The direct lines have few stops to shorten travel times.

Quality

Punctuality in bus traffic was 91.2% (91.5% in 2006). It is lowest in Stockholm's inner-city, where congestion is often severe. To improve the flow of traffic SL and the City of Stockholm have formulated a joint action plan involving bus lanes, local traffic regulations and modification of streets. Additional collaborative projects are underway with other municipalities in the county and the Swedish Road Administration. By decision of the Swedish parliament in 2007, SEK 200 million of the congestion charge proceeds will be allocated to streamlining and flow enhancing measures in road traffic during 2008.

Perceived quality in bus traffic was 71% in autumn 2007, an increase of 1 percentage point from the year before.

The buses used in SL traffic in the Nacka/Värmdö and Huddinge areas are a maximum of 13 years old and the average age is 7 years, while those used in inner-city Stockholm and other traffic areas have an average age of 8

years a maximum age of 16 years. In recent years, a very large number of new buses have been taken into service in SL traffic, above all in connection with the congestion charge trial. At year-end 2007, the average age in the total fleet was 7.1 years.

Ongoing and new initiatives

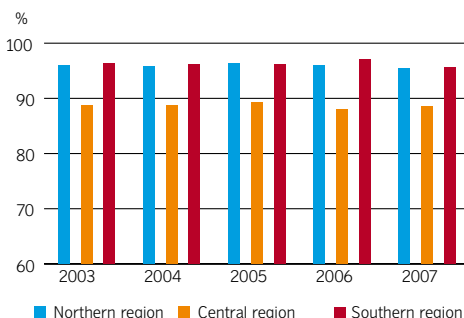
Total output in bus traffic decreased by 6.8% compared to 2006. At year-end, parts of the increased service on existing bus lines and a number of direct bus lines from the Stockholm congestion charge trial were discontinued due to a lack of financing. After Stockholm County Council, SLL decided to allocate new resources, however, six direct bus lines were quickly re-introduced. Five direct bus lines were also reinstated when the congestion charge was made permanent in the autumn, and over 40 existing bus lines were given more frequent departures. The direct bus lines were evaluated and found to be justified from a cost perspective in relation to passenger frequency. The annual cost for increased bus traffic is estimated at SEK 98.5 million, in addition to necessary investments of SEK 31 million in the depots.

Every bus is equipped with 5–6 video security cameras.

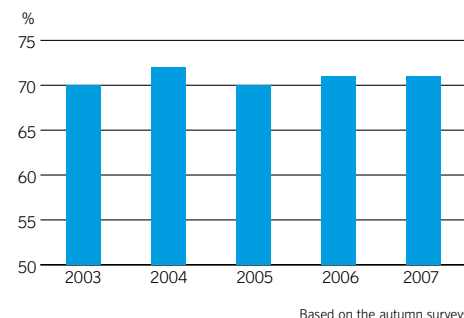
Although night traffic is rarely changed, highly appreciated new night services were introduced last year to Runby in Upplands Väsby and Bremora in Tumba. The new residential area on Lilla Essingen was also given an urgently needed bus connection. In Norrtälje, a single bus line that formerly trafficked three loops was converted into five new lines adapted to the trunk routes to and from Stockholm.

Pursuant to a decision made in 2007, SL will increase traffic on several bus lines and offer new bus services to a number of new residential areas and workplace sites in the country during 2008. In the autumn a new direct bus will be introduced between Åkersberga and Kista via the newly built Norrortsleden and a new trunk route between Norrtälje and Uppsala,

Bus – actual punctuality



Bus – share of satisfied customers





Traffic information

Surveys show that bus travellers are not satisfied with the offered information about disruptions. In 2007 a decision was made to radically improve this information in bus traffic, read more on page 12.

Security cameras and other security enhancements

SL's buses outside the inner-city will be successively equipped with seat belts. SL has also decided that no one should have to stand on buses driving at speeds of more than 70 km/h. This will require increased investment on several bus lines that operate on major motorways or travel long distances.

In the past year SL installed security cameras onboard around 1,000 buses and in 2008 cameras will be installed on the remaining 1,000 buses. Each bus is equipped with 5–6 cameras as a means for protecting both drivers and travellers. To improve security for the bus drivers, the Swedish Work Environment Authority prohibited cash handling on SL buses as of 1 April 2007. However, there is still a need for security-enhancing measures for the drivers, who are often subjected to threats and violence. The camera investment was partly financed by the government using the additional funds generated by the congestion charge trial.

BussPC onboard the buses will enable use of ISA (Intelligent Speed Adaptation, which has been tested during the year. With the help of

the Swedish Road Administration's national road database and GPS, ISA enables the BussPC to detect the designated speed limit and indicate a possible speed violation. ISA will be a valuable tool for the drivers, but can't be implemented until the national road database has been quality assured by the Swedish Road Administration.

In the past year SL took the initiative for a standardised national bus driver workstation in association with the transport contractors, industry organisations and bus manufacturers. Since the buses are often moved between areas and cities, it is a source of security for the drivers when information displays and instrumentation are similarly arranged in different types of buses.

Renewable fuels

Because bus transports are a central component of SL traffic, it is vital that the buses are as energy-efficient and eco-adapted as possible. SL has been working with alternative fuels and took a number of new ethanol and biogas buses into service during the year. Due to limited opportunities for refuelling, the biogas buses are mainly operated on lines in inner-city Stockholm. At present, SL has seven bus depots with filling stations for ethanol and one for biogas.

New communication ideas

SL is studying various alternatives for collection of all information found onboard the buses in a wireless communication model. This includes information for driver and travellers, information about bus maintenance for the respective bus depots, information to the Security Center, and information about environmental or "eco-driving". A feasibility study was carried out in 2007 and trials are being conducted on two trunk route buses in Norrtälje traffic during the spring of 2008.

SL certification

All drivers in Södertälje and Järfälla/Upplands-Bro were SL certified during 2007, and a decision was made to introduce driver certification as a requirement in new traffic agreements. A higher level of skill among the drivers will raise the service level and ensure greater security and safety for the travellers. One important aspect of the certification is knowledge about fuel-efficient driving. The certification has been very well

received by the drivers. Access to competent bus drivers is an issue that concerns SL on several levels. In 2008 SL together with the transport contractors and the Swedish Employment Service will take special measures to market the profession of bus driver as a service vocation with responsibility for taking care of the travellers.

Longer buses in the inner-city

SL has tested a 13.7 meter long articulated bus with 20% more seats and room for more standing travellers than in the existing red buses. The trials have been made possible through the City of Stockholm's permission for longer buses to operate in the inner-city, provided that the buses have a steered rear axle. The articulated buses are also used in suburban traffic.

New contractor

The year's procurement of bus services referred to Vallentuna/Sigtuna/Upplands Väsby and Ekerö. Aside from basic requirements with regard to safety and environmental management, SL evaluated quality criteria such as information about traffic disruptions, customer service, internal management processes, training of personnel and work supervision. The quality criteria were weighed together with the bid prices and the highest total points were awarded to Arriva Sverige.

Equipment for SL Access

All buses in SL traffic have been equipped with ticket vending machines and card readers for the new SL Access payment system. The equipment is connected to the BussPC system. User trials with bus drivers and externally recruited test travellers were carried out in bus traffic on Lidingö. Feedback from the trials has been used in the ongoing development process.



SL Access was installed on virtually all buses in SL's fleet.

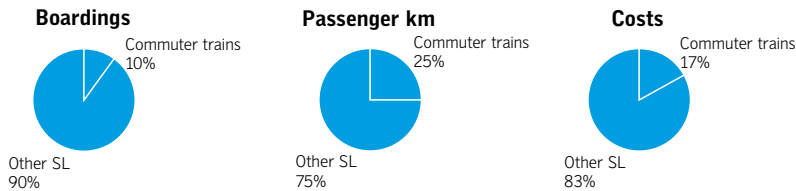
Facts about the buses

		2007	2006
Number of bus lines	450	Average boardings per weekday	975,000
Number of vehicles	1,897	Number of weekday travellers, change from previous year	+0.4%
Of which, low floor buses	1,252	Travel, change from previous year	+0.7%
Of which, buses that run on renewable fuels	441	Costs, SEK M	3,741
Number of bus terminals	51	Traffic output, change from previous year	-6.8%
Number of maintenance depots	18	Investments, SEK M	297
Boardings per weekday and area, thousands			
Inner-city	276	Norrort (Täby, Vaxholm, Åkersberga)	69
Björknäs (Nacka, Värmdö)	81	Handen (Handen, Nynäshamn)	63
Råsta (Sollentuna, Solna, Sundbyberg)	78	Södertälje	41
Botkyrka (Botkyrka, Huddinge)	77	Kallhäll (Järfälla, Upplands Bro)	40
Söderort (Brännkyrka, Farsta, Hammarby)	75	Märsta (Sigtuna, Vallentuna, Upplands Väsby)	36
		Bromma	34
		Tyresö	35
		Lidingö	24
		Ekerö	21
		Norrstälje (Hallstavik, Norrtälje, Rimbo)	19

→ The contractors responsible for daily operation of bus traffic and vehicle maintenance are Busslink and Swebus. As of August 2008 also Arriva.

For definitions, see page 65.

Commuter trains for long distances



Every weekday, close to 250,000 journeys are made in SL's commuter train traffic, equal to approximately 65% of all rail travel in Sweden. In the past year, Banverket (which owns the tracks and stations) and Stockholmståg (the commuter train operator) took many large and small steps to improve punctuality in traffic.



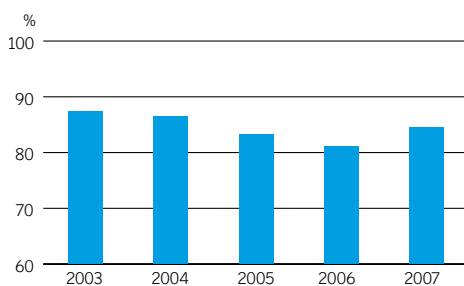
SL's commuter trains run every 15 minutes during the daytime and every 30 minutes in the evening, with additional departures during rush hour traffic.

Increased punctuality led to more satisfied customers

Punctuality in commuter train traffic during 2007 improved to 84.5% (81.1% in 2006). The share of satisfied customers in 2007 was 54%, which is a dramatic improvement from the low 36% in the autumn of 2006 and the highest level recorded since SL began measuring customer satisfaction in 2000.

The commuter trains have the largest punctuality problems of all SL transport types, partly due to insufficient track capacity. In the spring of 2007 Banverket (which owns the tracks and stations) completed certain improvements in the infrastructure around Stockholm Central Station. A number of switches were moved and connecting sections were given a straighter

Commuter train – actual punctuality



alignment. Furthermore, the signalling system between Stockholm Södra and Stockholm Central has been rebuilt and the tracks and platforms at Stockholm Central have been renovated. All in all, this rebuilding will enable the trains to drive faster, leading to increased capacity.

Active improvements

These rebuilding activities led to disruptions in traffic. A shortage of personnel at the transport contractor Stockholmståg, mainly train drivers, also gave rise to disruptions and a number of cancelled departures. The fact that punctuality improved despite these effects is due to strong efforts from both Stockholmståg and Banverket. Thanks to thorough preparations, leaf slippage caused significantly fewer problems than in earlier years.

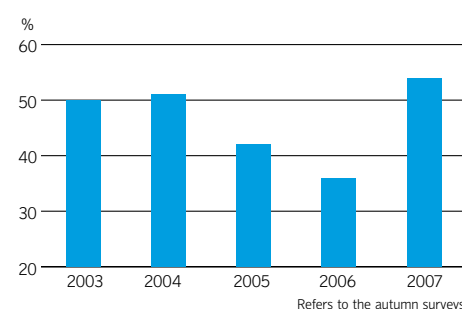
In 2007 the Swedish government made a formal decision to build the City Line.

The share of dissatisfied customers fell sharply from 39% in 2006 to 25% in 2007. Perceptions of both punctuality and information about disruptions improved significantly during the year. In order to provide travellers with better information, all commuter train personnel have been equipped with handheld computers containing real time traffic information, which is also available at sl.se.

Production

Travel with the commuter trains rose by 5.2%, measured as the number of boardings on a

Commuter train – share of satisfied customers



regular weekday, at the same time that traffic output decreased by 2.6%. Due to the major disruptions during the spring, SL decided to somewhat reduce the number of departures during rush hour traffic. In 2008 several of these departures will be resumed.

Safety and security

Perceived security improved significantly, with 44% of women and 68% of men reporting that they feel secure when travelling alone by commuter train in the evening and at night, compared to last year's figures of 37% and 61%. Security cameras are being installed at the stations and the new commuter trains are equipped with both emergency telephones and security cameras.

Decision on the City Line

In 2007 the Swedish government made a formal decision to build the City Line, an approximately six km long railway tunnel for commuter train traffic between Stockholm Södra and Tomtebodavägen. The City Line will double rail capacity through central Stockholm and provide opportunity for more frequent departures and better punctuality. Banverket will also build two new subterranean stations, one in the city center beneath T-Centralen and one at Odenplan, off which the latter will replace Karlberg station. At present, SL's work is focused on specifying requirements, contributing to station design and ensuring that the underground system is not affected by blasting work. The new stations are scheduled to open in 2017.

Collaboration with Banverket and SJ

Pending completion of the City Line, SL is collaborating with Banverket and the Swedish State Railways (SJ) in a study on the effectiveness of rail traffic. The parties have agreed on 44 steps to improve traffic in Stockholm and the Mälardalen region by the year 2010. These include measures such as a track patrol to correct minor faults on the tracks, new passing points, extension of double track, more passing stations, extra tracks, new switches, higher speeds, signals at more frequent intervals, improved electric power at Älvsjö, better and clearer traffic information, a new public address system at Stockholm Central, etc.

The new X60 commuter trains

Another 20 of SL's new X60 commuter train vehicles went into service during 2007. A total of 71 carriages have been ordered, of which 58 had been delivered on 31 December 2007. All drivers have been trained to operate the new trains. The total investment amounts to more than SEK 5 billion. Additional X60 vehicles will be gradually introduced into service during 2008.

The intention was to phase out the oldest commuter trains during the year, but since the guarantee period for the X60 carriages is two years, the first trains that went into service two years ago are being successively removed from traffic for final technical adjustments by the vehicle supplier. As a result, the oldest trains will be needed in traffic for some time to come.

Rebuilding of the Älvsjö depot continued during the year, which has provided increased maintenance capacity. In addition, SL has started construction on a new commuter train depot in Södertälje where it will be possible to lock in all new commuter trains at night, reducing the risk for vandalism and hindering ice formation in the winter. Before the new depot can go into operation, however, Banverket must first build double tracks between Södertälje Hamn and Södertälje Södra.

Traffic to Nynäshamn

Rail traffic between Västerhaninge and Nynäshamn, on the so-called Nynäshamn line, has had problems with punctuality for many years. Not only does the line have a single track and only two passing points, but the platforms are also too short, which means that the carriages must be recoupled in Västerhaninge. SL has therefore chosen to use a special train between Västerhaninge and Nynäshamn as a temporary measure, which means that travellers are required to change trains.

To fast-track modernisation of the Nynäshamn line, Stockholm County Council, SLL decided in early 2007 to grant an interest-free loan to Banverket for development of the connections to Nynäshamn. When work is completed in



The new commuter train vehicles are articulated and 107 meters long, with an open floor plan throughout. The vehicles have low floor entrances at platform level in all door openings, and a push-out step in the first and last doors. Other features include a low noise level, air conditioning, security cameras, emergency telephones and individual seating.

2008, it will be possible to traffic the line with long trains every 30 minutes and extra trains during rush hour. In connection with rebuilding of the tracks, the stations are also being modernised with information systems for departure and arrival times, displays, fixed station signs, wind shelters and benches.

Training of train drivers

SL takes various initiatives to safeguard access to qualified traffic personnel in SL transports. For several years, a shortage of train drivers has limited efforts to uphold stable traffic. Together with the Municipality of Huddinge and the public transport training center, SL has worked to establish a train driver training programme in Stockholm. In December, the Swedish Agency for Advanced Vocational Education decided to start a programme of this type in the autumn of 2008.

Station maintenance

An inventory of all commuter train stations has been carried out to inspect cleaning, routines, wind shelters and the general environment. This resulted in an action plan to gradually improve

the aesthetic and functional quality of the environments. Among other things, Stockholmståg has established a task force for track cleaning, emergency cleaning and other types of heavy-duty cleaning not handled on a daily basis.

All conductors at the stations have been given fare training and equipped with special stamps that enable them to check tickets and thereby alleviate pressure on the ticket booths. This has been highly appreciated, particularly at Stockholm Central where lines at ticket windows cause delays during peak hours.

Vega station

SL has decided to build a new station between Skogås and Handen by the new Vegastaden residential area that is being planned by the Municipality of Haninge. Construction is scheduled to begin in 2011.

Installation of SL Access

All automatic barriers have been equipped with card readers that are connected to SL's control center. Ticket machines have been installed in the ticket kiosks and user trials carried out.

Facts about the commuter trains

		2007	2006
Number of stations	51	Average boardings per weekday	242,000
Number of new vehicles ¹⁾	58	Number of weekday travellers, change from previous year	+3.9%
Number of older vehicles ¹⁾	117	Travel, change from previous year	+1.6%
Total length of line	200 km	Costs, SEK M	1,394
Number of maintenance depots	2	Traffic output, change from previous year	-2.5%
Most heavily trafficked stations, boardings per weekday		Investments, SEK M	946
Stockholm Central	51,000		1,734
Stockholms Södra	14,000		
Älvsjö	11,000		
Jakobsberg	10,000		
Karlberg	9,000		
Stockholm Syd/Flemingsberg	9,000		
Average length of journey	17.5 km		

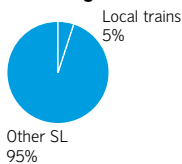
→ The contractor responsible for daily operation of the commuter trains is Stockholmståg.

¹⁾ A full-length train consists of two new or four older vehicles.

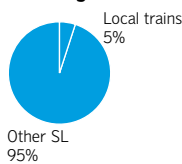
For definitions, see page 65.

Local trains have the most satisfied customers

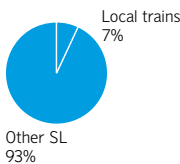
Boardings



Passenger km



Costs



SL's rail-bound traffic includes five local lines. The Light Rail is a shortcut between the western and southern peripheries of the city and are also coordinated with both the underground and commuter trains. The three branches of the Roslagen suburban railway extend through several municipalities in the northeast. The Nockeby light rail and the Lidingö and Saltsjö suburban railways are three local lines with long histories.

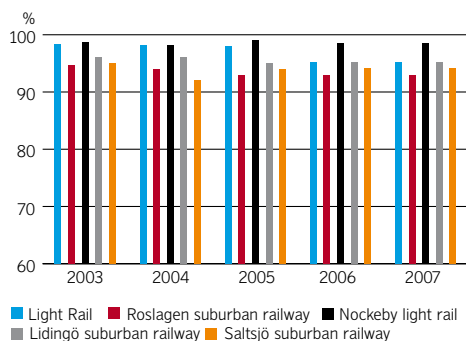


Light Rail

In the past year, Automatic Train Control (ATC) was deployed on the Light Rail to improve traffic safety. The system monitors the location of other trains and regulates driving speed, creating the conditions for smoother and faster driving and subsequently also more frequent departures. SL has therefore ordered two new trains for the Light Rail that will make it possible to increase departures to every 7.5 minutes. The depot in Alvik will be enlarged.

Weekend traffic on the Light Rail will be increased starting in the summer of 2008, and rush hour traffic on weekdays starting in the autumn. In addition, the trains on the Light Rail will be lengthened already in connection with the summer timetable.

Local trains – actual punctuality



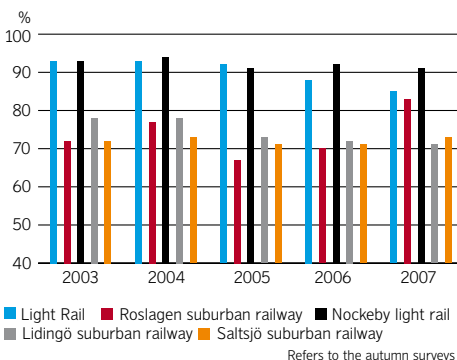
Roslagen suburban railway

The Roslagen suburban railway is a narrow gauge railway whose oldest section opened for traffic as early as 1885. Today the railway is one of Sweden's most modern. Extensive renovation work has been carried out and in the past few years virtually everything has been, or will be replaced, allowing the trains to run more frequently and with greater punctuality. In 2007 traffic was closed off on the Rydbo-Österskär section, which underwent total refurbishment. Among other things, the railway embankment was resurfaced and weld seams in the rails were removed to enable faster driving speeds. Repairs were carried out from June to early September, during which time replacement traffic was provided by bus. The travellers have continued using SL transports and have become more satisfied.

Two sections have yet to be renovated, Galoppfältet-Rydbo, in 2008 and Universitetet-Ålkistan in 2009. That which remains thereafter are a few shorter sections where SL is awaiting major rebuilding projects. In 2008 the Roslagen suburban railway will be given more departures and express trains.

In connection with renovation, all bridges along the railway have been prepared for double tracks. In 2007 SL decided to convert the entire Roslagen suburban railway to double tracks starting in 2009–2010. Roslagståg, which is responsible for traffic on the railway, has also taken over responsibility for train maintenance in order to improve coordination.

Local trains – share of satisfied customers



Nockeby light rail

The Nockeby light rail in Bromma is a fast-track railway that can use carriages of the same type as the Light Rail. In the past year SL ordered seven new trains that will be delivered in mid-2008, after which the line will be serviced only by modern carriages.

Saltsjö suburban railway

The Saltsjö suburban railway, built in connection with the founding of Saltsjöbaden in the late 1800s, is a single track railway serviced by modified underground carriages. The railway's advanced age and condition are currently leading to technical difficulties and problems in traffic.

A decision has been made to convert the entire Roslagen suburban railway to double tracks.

The City of Stockholm and Municipality of Nacka are planning for the construction of new housing and places of work at Hammarby Sjöstad, Danvikstull, Lugnet, Henriksdal, Kvarnholmen and the Port of Nacka, which will increase the need for public transport. SL has therefore started preparing for conversion of the Saltsjö suburban railway into a modern fast-track railway of the same standard as the Light Rail, to which it will also be interconnected. A formal decision for conversion is expected in the autumn of 2008. Construction is scheduled to begin around the year-end 2009 and the new railway can then go into operation around the year-end 2013. In the meantime, SL will continue taking temporary measures on the Saltsjö suburban railway to maintain safety and punctuality.

Lidingö suburban railway

The Lidingö suburban railway is formally a railway but is serviced by converted light rail carriages from the 1940s. Most of the railway itself is of a relatively good standard, but the age of the vehicles and poor condition of several platforms are a source of technical difficulties and therefore also problems with punctuality. Together with the Of-

Office of Regional Planning and Transportation, the City of Lidingö and the City of Stockholm, SL has carried out the study "Long-term public transport for Lidingö" in which different alternatives have been examined. The additional of new bus traffic could be an efficient alternative in terms of both costs and travel times. However, SL feels that refurbishment of the Lidingö suburban railway should be the preferred choice, especially since the City of Lidingö is strongly in favour of this solution, but has required the City of Lidingö to contribute to financing of the refurbishment.

Quality

Punctuality on the local trains is generally good, since the different lines are relatively short and not dependent on other traffic. Punctuality is highest on the Nockeby light rail, at 98.6% and lowest on the Roslagen suburban railway, at 92.9%.

The local trains have the highest share of satisfied customers of all SL transports in Stockholm. The autumn survey showed that an average of 82% of customers were satisfied, compared to 77% a year ago. Only 7% are dissatisfied, which is also an improvement from 8% in 2008. Customers are most satisfied with the driving style and treatment by the employees. The largest improvement was noted in cleaning of both carriages and stations. On the Roslagen suburban railway, 83% of customers are satisfied compared to 70% one year ago. The Lidingö and Saltsjö suburban railways have the lowest share of satisfied customers, at 71% and 73%, respectively. The number of travellers has continued to increase.

Through SL's text messaging service, travellers can simply and easily subscribe for information about traffic disruptions on the Roslagen, Lidingö and Saltsjö suburban railways.

Equipment for SL Access

Work on SL's new payment system has progressed further. Additional installations have been carried out for the conductors' portable ticket machines and an ergonomic carrier system has been developed. A simpler type of portable card reader has also been designed.



The Roslagen suburban railway has been successively renovated over a number of years. In the summer of 2007, a total refurbishment was carried out on the Rydbo-Österskär section. Starting in 2009, the Roslagen suburban railway will be fully converted to double track.

New rail connections decided on in 2007

- The **Light Rail East** is a 3.6 km long extension of the Light Rail through Sickla and Hammarby Sjöstad to Slussen. The Light Rail will also be linked to the Saltsjö suburban railway at Lugnet. Construction is scheduled to begin in 2010.
- The **Light Rail North** is a 6.5 km long extension of the Light Rail from Alvik via Ulvsunda and central Sundbyberg to Solna and the new national football arena. The line will have 8–9 stops and construction is scheduled to begin in 2010. A further extension from Ulvsunda via Solvalla to Kista is also in the planning stages.
- The **Djurgården Line**, which is owned by SL, is a historic light rail line that runs between Norrmalmstorg and Waldemarsudde. In 2007 SL decided to modernise and extend the line, partly from Norrmalmstorg to Stockholm Central and partly from Strandvägen to the Värtan harbour area. New carriages will be needed to improve accessibility for the disabled. SL will assign a concession that includes construction, maintenance and traffic operation on the line for at least 15 years. The company or consortium that makes the most interesting and financially attractive bid will be appointed as the concession holder. Compensation will consist primarily of the right to use the light rail line and benefit the revenue it generates during the term of the contract.

Facts about the local trains

	2007	2006
Average boardings per weekday	123,000	116,000
Number of weekday passengers, change from previous year	+6.0%	+6.5%
Travel, change from previous year	+6.2%	+6.7%
Costs, SEK M	556	529
Traffic output, change from previous year	-0.3%	+2.3%
Investments, SEK M	444	283

¹⁾ Also used by the Nockeby light rail

²⁾ Older light rail carriages

For definitions, see page 65.

	Light Rail	Roslagen suburban railway	Nockeby light rail	Saltsjö suburban railway	Lidingö suburban railway
Number of stations/stops	17	39	10	18	14
Number of vehicles	22 ¹⁾	101	15 ²⁾	30	20 ²⁾
Total length of line, km	11.5	65	5.6	18.6	9.2
Contractor	Veolia	Roslagståg	Veolia	Veolia	Veolia
Main interchange to the underground	Gullmarsplan	Tekniska Högskolan	Alvik	Slussen	Ropsten
Average boardings per weekday at above interchange	8,000	11,000	9,000	6,000	3,000
Average length of journey	3.2 km	11.9 km	3.2 km	7.2 km	4.4 km

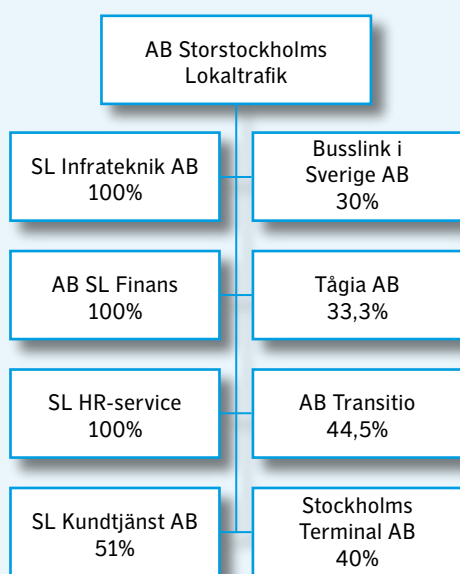
Administration report

AB Storstockholms Lokaltrafik, corporate identification number 556013-0683

The Board of Directors and the Managing Director of AB Storstockholms Lokaltrafik hereby present the annual report of the Parent Company and the Group for the financial year 1 January – 31 December 2007.

OWNERSHIP STRUCTURE

The Parent Company of the SL Group, AB Storstockholms Lokaltrafik (SL), is owned by the Stockholm County Council (SLL). At year-end 2007 the Group consisted of the Parent Company with four operating and two dormant subsidiaries and four associated companies.



SL determines the scope, quality and development of transport services within the framework of the directives and conditions assigned by SLL. SL procures and orders transport services from various contractors, and is also responsible for maintenance of and investments in the transport infrastructure. AB SL Finans is responsible for financing of vehicles. SL Infrateknik AB handles the vehicles that are financed externally, such as the new commuter trains. SL HR-Service AB provides lift and escalator maintenance services. These subsidiaries are wholly owned by SL. SL Kundtjänst AB informs the public about SL's transport services, receives and reports feedback from the public, and is responsible for ticket control.

The Group also includes the dormant companies Fastighets AB Viggstaber and SL Lidingö Trafik AB.

Furthermore, SL holds shares in the following associated companies with public transport-related operations: AB Transitio (44.5%), Stockholms Terminal AB (40%), Ågta AB (33.3%) and Busstänk i Sverige AB (30%).

Aside from these, the Parent Company has an ownership stake in Samtrafik i Sverige AB (2.12%), whose operations consist of collaborative efforts to improve the conditions for public transport users and promote increased public transport throughout Sweden.

SL's participation in the Nordic travel card collaboration has also resulted in a shareholding in SLTF Resekortet i Sverige AB (13.33%).

In recent years SL has undergone a large-scale realignment to redefine its role as a buyer organisation. SL's goal is to wind up its holdings in the production companies Busstänk i Sverige AB and Ågta AB, a process that is expected to be completed within a few years.

The vehicle maintenance company Ågta AB was formed in 2000. Under a contract that runs until 2009, the company is responsible for train maintenance on the underground and local trains. Changes in the ownership structure were made during 2007. Analysis of the business arrangement for maintenance of rail-bound traffic has led to the conclusion that it is normally most cost-efficient, particularly with regard to the liability aspect and therefore also security, for SL to enter into agreements for traffic services including maintenance with parties that can in turn use subcontractors for parts of these undertakings in line with SL's established requirements.

One consequence of this is that the current arrangement with a partly owned maintenance company for rail-bound SL traffic, based on separate agreements directly with SL, is no longer deemed optimal ahead of upcoming procurements.

Against this background, SL and the other part-owners in Ågta have agreed on structural changes through which Bombardier will sell its holding and the traffic operator Veolia will take over as majority owner during the remainder of the traffic agreement period to ensure optimal operation until the new procurement is completed. When the new traffic agreement goes into effect, SL is planned to take over full ownership of the company in order to achieve greater freedom of action and facilitate the transition to the new business structure. This will also create the conditions to handle and wind up SL's obligations pursuant to the current shareholder agreement and supplementary agreements.

The agreement between SL and Bombardier for the purchase of Bombardier's shares was signed on 27 June 2007. The agreements between SL and Veolia Transport for the sale

of the acquired shareholding and option to acquire all of Veolia's shares during 2009 was signed on 7 December 2007. The Stockholm County Council (SLL) granted its approval on 11 December 2007. On 18 December 2007, SL's Board of Directors approved the agreements with Veolia by mandate of SLL. SL's took possession of Bombardier's shares on 2 January 2008. Veolia's access to the shareholding took place on 7 January 2008.

In 2002, 70% of the shares in Busstänk i Sverige AB were sold to Keolis Nordic SA. SL has options that give SL the right to sell the remaining shares, and Keolis the right to acquire these, in 2009 or 2010.

OPERATIONS

SL's task is to offer passenger transport services based on the needs of people living, working and visiting in Stockholm County. Decisions on the scope, quality and development of transport services are made by SL's Board of Directors within the financial framework designated by SLL.

In 2007 SL formulated a new strategic platform consisting of a vision, a business mission and an overall performance management model.

The performance management model is divided into perspectives according to SL's five key stakeholder groups;

- Customers
- Owners
- Employees
- Suppliers
- Society

The strategic platform was adopted by SL's Board of Directors at the Board meeting in December 2007. In 2008, the objectives will be defined and targets established by the Board.

The overall objective in the customer perspective is to increase the number and satisfaction of customers. Goal attainment is measured, among other things, in the number of journeys per weekday, the share of satisfied customers and punctuality in traffic.

Transports with SL in 2007 increased by 1.8% (5.1%) compared to 2006, to 2,434 thousand (2,392) boardings on a typical weekday in the spring and autumn. Transports in 2007 reached the highest level recorded in recent years. The increase took place mainly in the second half of the year, following reintroduction of the congestion charging. The average number of travellers on weekdays during 2007 was 687 thousand (675) per day.

In 2007 SL's onboard survey of perceived quality was conducted monthly. The average share of satisfied customers in 2007 was 68%. The share of satisfied customers in December was 68% (62%).

The share of satisfied county residents in 2007 according to SLTF's public transport barometer was 55% (55%) and the share of dissatisfied residents was 11% (11%). **The share of satisfied customers** was 62% (61%) and the dissatisfied share was 9% (9%), i.e. indicating a marginal improvement.

Total **traffic production** measured in seat km fell by 3.9% (+4.8%) to 15,168 million km (15,786).

Use of the **Travel Guarantee** can be seen as one of several expressions for the level of quality in traffic. The number of claims in 2007 amounted to 34,745 (39,318), corresponding to SEK 8.0 million (9.8). The decreased number of claims is mainly explained by fewer disturbances in commuter train traffic. Efforts will be made in the coming year to develop the guarantee and increase knowledge about how it is used.

In 2007 the Swedish parliament decided that **the congestion charging** would be permanently reinstated starting in August 2007. To meet the high demand for public transport, SL increased its traffic to same level as during the congestion charging trial. A large number of new departures have been added, primarily during peak hours on the existing bus lines. The earlier increases in underground and commuter train traffic have continued.

The number of **eco-adapted vehicles** is being successively increased. At year-end 2007 there were 390 ethanol buses (374) and 51 biogas buses (30) in service. Of the 83 new buses delivered in 2007, 21 are biogas-driven and 10 are ethanol-driven. A total of 9 new articulated buses were delivered and a total of 100 older buses were removed from service.

In the past year there was a special focus on **graffiti-prevention measures**. Graffiti and other types of vandalism have given rise to cleanup and repair costs of SEK 67 million (61), up by 9%. In addition to these, SL had costs for graffiti removal and **vandalism** in the traffic areas and vehicles within the framework of the transport contractors' responsibilities.

Aside from operation and maintenance of the public transport system, sizeable **investments** are being made in the underground, bus services, commuter trains and local trains. The SL Group's total investments in fixed assets during 2007 reached SEK 3,110 million (3,445).

ENVIRONMENT

SL is certified according to ISO 14001:2004. The only activity conducted under SL's own management that is subject to reporting requirements under the Swedish Environmental Code is transit storage of small volumes of hazardous waste at the Slakthuset rail depot. Furthermore, SL has a permit for transport of hazardous waste. In other respects, SL functions mainly as a buyer of services and all other activities subject to reporting and permit requirements are conducted by external contractors which have direct responsibility for such reporting and permit applications.

SL has, or has had, operations in a large number of locations in the Stockholm area. An inventory has been made of contaminated soil in the properties that remain in SL's possession but where operations are no longer conducted. In the areas where SL or its subcontractors conduct operations and where contamination of soil or water has been found, control programmes have been launched.

SL works systematically to reduce noise from the transport system and minimise environmental risks. No provisions for environmental risks have been made.

ACCESSIBILITY – SAFETY – SECURITY

In 2007 SL took over management of the Security Center, and now has responsibility for all security-related activities. New agreements have been procured and synergy gains realised, leading to a reduction in overall security costs. At the same time, it has been possible to somewhat increase the available resources in SL traffic for security guards and property protection over the earlier levels. Security costs in 2007 amounted to SEK 158 million (161).

Accessibility

In 2006 the Board of Directors adopted a new action plan aimed at increasing accessibility for the disabled. The goal is for "anyone who can get to a station or stop, on their own or with assistance, to be able to travel with SL by 2010 at the latest".

Investments in accessibility adaptations during 2007 totalled SEK 162 million, of which investments in vehicle adaptations accounted for SEK 27 million and station investments related to platform heights, lifts, etc., accounted for SEK 79 million.

Of all buses in the fleet, 66% (63%) are of the low floor type and 44% (39%) have wheelchair ramps.

Safety and security

In 2007 security cameras were installed in all underground stations aside from the Farsta section, and in 10 commuter train stations. All in all, 90% of the underground stations and 20% of the commuter stations now have camera surveillance. Cameras were also installed on around half of all buses during 2007. All new underground and commuter train carriages are equipped with cameras and all scheduled traffic in the underground and commuter trains is conducted with camera-equipped vehicles. There are plans to equip vehicles and certain stations along the local railways with security cameras during 2008.

The installation of a new fire alarm system, including smoke barriers, at four stations with only a single entrance/exit is underway and will be completed during 2008/2009.

EMPLOYEES

The overarching goal in the personnel area is to enhance SL's attractiveness as employer as a means for recruiting and retaining employees who can realise the company's vision. In order to achieve success, SL is focusing on three target areas:

- *Clear and committed leadership*
- *Active brand-building in the labour market*
- *Secure the right competence*

The past year's personnel activities were dominated by recruitment of employees to perform recently added duties. Higher ambitions and expanded operations have created a need to reinforce the existing staff reinforcements and fill of a large number of vacancies from earlier years. More than one hundred individual recruitments were carried out. To meet future hiring needs, SL has established contact primarily with technical institutes.

In the autumn, an internal programme was carried out for over 20 new managers within SL. The main objective was to give these a clear idea of their role as manager and employer and knowledge about SL-specific policies/routines, above all in the human resources area.

Occupational health and safety (OHS) activities at SL are conducted through delegation of responsibility to managers with OHS duties to take the measures specified in SL's OHS plan in their areas of operation. To promote good health, all employees are offered health check-ups and the company invests in fitness activities.

There is an equality and diversity plan that is updated yearly. SL strives for an even gender distri-

bution in all vocational categories and in management groups at different levels in the organisation. In the management training programme that was carried out in 2007, the equality perspective was given special emphasis. According to SL's policy for ethnic diversity, every job applicant and employee has equal rights and opportunities regardless of ethnic background or religious beliefs. SL takes ethnic diversity aspects into account in its operations, and in a longer perspective the goal is for the ethnic makeup of the population to be reflected in the composition of its staff.

RISKS AND RISK MANAGEMENT

Risk assessment

In 2007 a large-scale effort was launched to identify and prioritise significant risks related to SL's scope for compliance with the established goals and guidelines.

Risk management is integrated with strategic and operating management as a natural part of day-to-day planning, monitoring and control.

Risk management covers eight identified risk areas, including market risks, operating risks and financial risks.

Insurable risks

SL has customary insurance coverage for the Group's property and liability risks.

Financial risks

SL's Board of Directors establishes "Guidelines for Financing Operations in AB Storstockholms Lokaltrafik". These guidelines are consistent with SLL's finance policy as far as applicable.

The overall objective for financing activities is to secure the Group's short- and long-term supply of capital and to achieve the lowest possible financing cost while at the same time managing financial risks in accordance with the established guidelines. Through coordination of financing activities in the county enterprises, SLL's financing company AB SLL Internfinans has primary responsibility for management of the financial risks arising at the county level. The remaining risks for SL are mainly the interest risk associated with rapid changes in market interest rates and administrative risks.

Through an active approach, SL seeks to manage the interest risk arising in financing activities. The company strives to minimise administrative risks through good human resource planning and through documented routines and processes. See also Note 27.

Crisis management

To maintain high preparedness for catastrophes

and crises, SL has a crisis management organisation and an appointed crisis management team with established routines and procedures for damage prevention, damage control, information and crisis management.

FINANCIAL RESULTS

Group

The SL Group's **operating income** for 2007 reached SEK 12,031 million (11,182), of which ticket revenues accounted for SEK 4,476 million (4,049). The increase is due to implementation of the new zone system, price hikes and an increased passenger volume in the autumn after reintroduction of the congestion charging. Other operating income, consisting of revenues from advertising, leases, etc., totalled SEK 2,209 million (2,212).

Total operating income for the Parent Company amounted to SEK 10,887 million (10,008).

Operating subsidies from SLL amounted to SEK 5,346 million (4,588).

The Group's total **operating expenses** totalled SEK 11,270 million (11,831), and consisted mainly of production costs for transport services on the buses, underground, commuter trains and local trains and costs for operation and maintenance of SL's infrastructure. The Group's costs for external contractors amounted to SEK 7,534 million (7,225).

Of total expenses, 26% are attributable to the underground, 18% to the commuter trains, 49% to the buses, 5% to the local trains and 2% to joint traffic costs.

Group profit

Earnings and expenses by transport type, etc., are summarised in the following table:

(SEK M)	2007	2006	2005	2004	2003
Ticket revenue	4,476	4,049	4,084	3,818	3,329
Government compensation for increased traffic	–	333	113	–	–
Operating subsidies from SLL	5,346	4,588	4,125	3,820	3,861
Net sales	9,822	8 970	8,322	7,638	7,190
Underground	–2,713	–2,584	–2,408	–2,312	–2,298
Commuter trains	–1,394	–1,249	–1,101	–1,073	–1,101
Local trains	–555	–529	–487	–473	–465
Buses	–3,741	–3,299	–3,025	–2,895	–2,885
Joint traffic	–318	–631	–273	–363	–71
Advertising revenues, etc.	185	108	97	87	83
Production, net	–8,536	–8,184	–7,197	–7,029	–6,737
Capital costs	–1,786	–1,544	–1,327	–975	–871
Compensation to SJ, older investments	–	–956	–	–	–
Other, net	820	759	542	464	468
Group profit/loss	320	–955	340	98	50

Operating expenses include amortisation/depreciation and write-downs of SEK 1,278 million (1,208), of which SEK 599 million (592) refers to carriages and vehicles held under finance leases.

Other operating expenses include capital cost compensation of SEK 106 million (333) to SJ (the Swedish State Railways). The amount refers to capital costs for investments in the commuter train infrastructure. In addition, a provision of SEK 956 million was made in the 2006 accounts for compensation to SJ for the period until year-end 2010. The year's cost includes indexation of the provision in 2006.

The Group's **net financial items** are reported at SEK –440 million (–304), of which interest expenses of SEK 392 million (213) refer to the interest portion of finance lease charges.

The **tax funding ratio** was 53.1% (52.0%). Since the early 1990s, the tax funding ratio has decreased from around 70% through reduced costs and higher revenue.

Group profit (see table below)

Operating income, net sales, in 2007 rose to 9.5% (7.8%) to SEK 9,822 million. Operating subsidies from SLL increased by 16.5% (11.2%) and ticket revenues by 10.5% (–0.9%).

In 2007 costs for traffic production rose by SEK 352 million or 4.3% (13.7%) to SEK 8,536 million.

Capital costs, i.e. depreciation and financial expenses, totalled SEK 1,786 million (1,544), an increase of 16% over the previous year that is

Investments

Investments in SL traffic are shown in the following table:

SEK M	2007	2006	2005	2004	2003
Underground	782	684	385	854	1 638
Commuter trains	946	1 734	662	476	77
Local trains incl. the Light Rail	444	283	149	102	154
Buses	297	427	673	243	181
Properties and depots	287	153	475	85	0
Other	354	164	-35	74	363
Total investments	3,110	3,445	2,309	1,834	2,413
Change, %	-9.7	49.2	25.9	-24.0	-49.0

Financing of SL's investments

SEK M	2007	2006	2005	2004	2003
Government grants	297	292	536	277	291
Finance leases, etc.	1,485	2,253	1,490	377	1,822
Borrowing from SL/internal funding	1,328	900	283	1,180	300
Total financing	3,110	3,445	2,309	1,834	2,413

mainly attributable to higher interest expenses due to rising market interest rates and an increased depreciation base arising from the purchase of new commuter trains and ethanol buses.

Investments (see table above)

The year's investments totalled SEK 3,110 million, a decrease of SEK 335 million compared to the previous year. The rate of investment is influenced by the current market situation in the construction sector, among other things with regard to the availability of structural engineering personnel.

Major investment projects in 2007

To increase security in SL traffic during 2007, an additional SEK 126 million has been allocated to [the Security Project](#). A total of 1,250 fixed cameras have been installed in the underground system and on 955 buses. New emergency telephones have been installed in a pilot phase.

To provide maintenance, service and storage adapted to the new X60 commuter trains, SL has started construction of a new [commuter train depot in Södertälje](#). In the spring, the site was acquired from the Municipality of Södertälje and Banverket (the Swedish Rail Administration). The detail plan and building permit were approved and the groundbreaking took place on 21 June. The new commuter train station is scheduled for completion in 2009.

An overall [renovation of the Roslagsbanan](#) suburban railway was carried out in the summer, and involved moving forward a number

of smaller measures such as the replacement of around 7 km of track and switches on the Österskär section. The stations at Åkers Runö and Österskär underwent total refurbishment.

Financing of SL's investments

(see table above)

SL's rail-bound vehicles are largely financed through finance leases.

To a growing extent, finance leases are also used for bus investments. Previously, the buses were financed directly by the transport contractors. SL's improved means to manage residual value risk for the buses and better financing conditions have contributed to the change.

In line with its environmental focus, SL will purchase a number of new environmental buses. These are more specialised and adapted to SL's requirements.

Today, 985 (1,019) of a total of 1,897 buses (1,924) in service are financed via SL. This corresponds to around 52% (53%) of the entire bus fleet in SL traffic. All buses are leased to the transport contractors on market-based terms.

In 2007 SL received SEK 297 million (292) in government grants. The funds have been contributed from Banverket's Future Plan for the new commuter trains in an amount of SEK 169 million (135) and from the County Plan in an amount of SEK 38 million (60). Contributions for the Congestion charging Trial were paid in an amount of SEK 90 million (90).

Other

Interest-bearing borrowings at 31 December 2007 totalled SEK 2,140 million (2,547).

At year-end the Group had cash and cash equivalents of SEK 792 million (1,182), of which SEK 699 million (1,103) is held in a group account. Disposable liquidity including unutilised bank overdraft facilities amounts to SEK 1,792 million (2,182).

SL Access

Efforts to introduce the new SL Access payment system continued throughout the year. Although installation of technical equipment has been completed in rail-bound traffic and onboard the buses, the planned launch has been delayed due to quality deficiencies in parts of the system software.

FUTURE DEVELOPMENT

Stockholm County has a population of approximately 1.9 million.

During the period to 2010 the number of residents is expected to grow by around 20,000 per year. Demand for travel, both by public transport and car, will increase. The greatest expected increase will take place from the county's peripheral areas to the inner city. There will also be a rising need for cross-city travel.

More than 80% of Stockholm County residents use SL's services at least once a month.

With the current capacity and offering, SL has potential to increase its market shares mainly during travel times other than rush hour.

The share of satisfied customers for the financial year 2007 was 68%. Over the next few years SL will take further initiatives to expand its offering and improve quality with respect to reliability, accessibility and information within the framework of SLL's financial balance requirements.

Development of commuter train traffic will continue and additional new vehicles will be taken into service. A large-scale renovation of the Nynäshamn line will be carried out in the summer of 2008.

Work is continuing on the Green Line to increase capacity by around 20% by 2009.

In bus traffic, a redistribution of existing resources is planned to reduce congestion and seating capacity is being successively increased.

Light Rail traffic will be expanded in connection with the delivery of new vehicles.

Allocation of profit

According to the adopted balance sheet, the Parent Company's non-restricted equity amounts to SEK 986,851,323. No transfers to restricted reserves are required.

The following funds are at the disposal of the Annual General Meeting:

Retained profit	SEK 904,630,680
Profit for the year	SEK 82,220,643
	<hr/>
	SEK 986,851,323

The Board of Directors and the Managing Director propose that these funds be allocated so that SEK 986,851,323 is carried forward to new account.

For information about the profit and financial position of the Parent Company and the Group, etc., please refer to the following income statements, balance sheets, cash flow statements and additional information.

Stockholm, 19 February 2008

Christer G. Wennerholm
Board Chairman

Lennart Rohdin

Lars Dahlberg

Charlotte Broberg

Lennart Kalderén

Cathrin Bergenstråhle

Peter Kockum

Jan Stefansson

Tage Gripenstam

Johan Sjölander

Nanna Wikholm

Gun Eriksson

Yvonne Blombäck

Lennart Hallgren
Employee Representative

Arne Grundberg
Employee Representative

Ingemar Ziegler
Managing Director

My audit report concerning this annual report and consolidated financial information was submitted on 10 March 2008.

Magnus Fagerstedt
Authorised Public Accountant

The lay accountants' review report for 2007 was submitted on 13 March 2008.

Income statement

SEK M	Note	GROUP		PARENT COMPANY	
		2007	2006	2007	2006
Operating income					
Net sales	1	9,822	8,970	9,822	8,970
Other operating income	2	2,209	2,212	1,065	1,038
Total operating income	3, 28	12,031	11,182	10,887	10,008
Operating expenses					
Contracting costs		-7,534	-7,225	-7,570	-7,273
Operating and maintenance costs		-90	-122	-95	-125
Personnel costs	25	-426	-383	-324	-304
Depreciation, amortisation and impairment losses on tangible and intangible assets	5, 23	-1,278	-1,208	-592	-528
Share in profit of associated companies	12	-1	18	-	-
Exceptional expenses	4	0	-956	0	-956
Other operating expenses	26	-1,941	-1,955	-2,186	-2,138
Total operating expenses	3, 28	-11,270	-11,831	-10,767	-11,324
OPERATING PROFIT/LOSS		761	-649	120	-1,316
Profit/loss from financial investments					
Interest income and similar items	6	80	67	62	23
Interest expense and similar items	7, 23	-520	-371	-100	-74
Total result from financial investments		-440	-304	-38	-51
PROFIT/LOSS AFTER FINANCIAL ITEMS		321	-953	82	-1,367
Income tax expense		0	-1	-	-
Minority share in profit/loss		-1	-1	-	-
PROFIT/LOSS FOR THE YEAR		320	-955	82	-1,367

Balance sheet

SEK M	Note	GROUP		PARENT COMPANY	
		31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
ASSETS					
Fixed assets					
Intangible assets	8, 9				
Usufruct rights		4	4	4	4
Tangible assets	8, 9				
Buildings and land		4,361	4,018	4,360	4,018
Track infrastructure		5,891	5,418	5,891	5,418
Rolling stock	23	12,717	11,751	265	96
Plant and equipment		301	244	295	243
Construction in progress and advance payments	10	3,262	3,179	2,782	1,831
		26,532	24,610	13,593	11,606
Financial assets					
Shares and participations in subsidiaries	11	–	–	2	2
Shares and participations in associated companies	11, 12	22	43	9	22
Other long-term receivables		1	1	1	0
		23	44	12	24
Total fixed assets		26,559	24,658	13,609	11,634
Current assets					
Inventories					
Stores		106	101	105	100
Current receivables					
Accounts receivable	27	871	451	190	257
Receivables from SLL		0	5	0	5
Receivables from subsidiaries	28	–	–	1,677	1,682
Receivables from associated companies	28	69	31	111	73
Other receivables		1,042	756	1,026	720
Prepaid expenses and accrued income	21	175	234	169	229
		2,157	1,477	3,173	2,966
Cash and cash equivalents	13, 27	792	1,182	476	1,175
Total current assets		3,055	2,760	3,754	4,241
TOTAL ASSETS		29,614	27,418	17,363	15,875

SEK M	Note	GROUP		PARENT COMPANY	
		31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
EQUITY AND LIABILITIES					
Equity	14, 15				
Share capital		4,000	4,000	4,000	4,000
Restricted reserves/statutory reserve		1,794	1,781	14	14
		5,794	5,781	4,014	4,014
Retained profit/accumulated deficit		-36	-23	905	973
Profit/loss for the year		320	-955	82	-1,367
		284	-978	987	-394
Total equity		6,078	4,803	5,001	3,620
Minority interest		2	2	-	-
Untaxed reserves	16	-	-	1,923	1,923
Provisions	17, 18	1,829	1,844	1,578	1,760
Long-term liabilities					
Long-term loans from SLL	19, 27	2,011	2,385	2,011	2,385
Long-term prepaid income	20	4,371	4,054	3,886	3,548
Other long-term liabilities	19, 23	11,901	10,989	0	0
Total long-term liabilities		18,283	17,428	5,897	5,933
Current liabilities					
Liabilities to SLL	27	129	162	129	162
Accounts payable	27	1,608	1,279	1,439	1,171
Liabilities to subsidiaries	28	-	-	666	634
Liabilities to associated companies	28	307	347	305	334
Other current liabilities		910	1,149	96	90
Accrued expenses and deferred income	22	468	404	329	248
Total current liabilities		3,422	3,341	2,964	2,639
TOTAL EQUITY AND LIABILITIES		29,614	27,418	17,363	15,875
Pledged assets	23			None	None
Contingent liabilities	24	23	23	23	23

Cash flow statement

SEK M	Note	GROUP		PARENT COMPANY	
		2007	2006	2007	2006
Operating activities					
Operating profit/loss		761	-649	120	-1,316
Adjustment for non-cash items					
Depreciation/write-downs of tangible and intangible assets	5	1,278	1,208	592	528
Provisions		-15	999	-181	1,012
Capital gains on sales/scrappings		51	-58	17	-62
Recognised government contribution		-176	-134	-176	-134
Other		1	-19	0	0
		1,900	1,347	372	28
Interest received		75	67	62	23
Interest paid		-520	-371	-100	-74
Cash flow from operating activities before changes in working capital		1,455	1,043	334	-23
Cash flow from changes in working capital					
Increase (-)/decrease (+) in inventories/supplies		-5	-18	-5	-18
Increase (-)/decrease (+) in receivables		-686	90	-406	567
Increase (+)/decrease (-) in current liabilities		113	547	358	79
Cash flow from operating activities		877	1,662	281	605
Investing activities					
Acquisition of tangible fixed assets	8, 9	-3,110	-3,445	-2,628	-2,015
Sale of subsidiaries and associated companies		44	0	44	0
Sale of tangible fixed assets		0	71	0	66
Other		-165	37	0	0
Cash flow from investing activities		-3,231	-3,337	-2,584	-1,949
Financing activities					
Investment loan from SLL		700	900	700	900
Change in long-term liabilities		889	951	-3	-182
Amortisation of debt		-1,074	-117	-1,074	-117
Government grants received		517	313	517	313
Group contributions received		-	-	567	391
Conditional shareholder contributions paid		0	0	-30	0
Shareholder contributions received		955	0	955	0
Other		-28	-40	-28	371
Cash flow from financing activities		1,959	2,007	1,604	1,676
The year's cash flow					
Cash and cash equivalents at beginning of year	13	1,182	850	1,175	843
Exchange difference in cash and cash equivalents		5	0	0	0
Cash and cash equivalents at end of year	13	792	1,182	476	1,175

Additional information

Accounting standards

The accounting standards applied in the preparation of the annual report for AB Storstockholms Lokaltrafik comply with the Swedish Annual Account Act (ÅRL) and the general advice and recommendations of the Swedish Accounting Standards Board (BFN) for large companies. Recommendations from FAR SRS (the professional institute for authorised public accountants in Sweden) are applied with regard to pension liabilities and pension expenses (FAR 4). However, the recommendations of the Swedish Financial Accounting Standards Council are applied in the following cases: RR 1:00 Consolidated Financial Statements, RR 2:02 Inventories, RR 4 Extraordinary Income and Expense and Comparative Disclosures, RR 5 Changed Accounting Policies, RR 6:99 Leases, RR 7 Cash Flow Statements, RR 8 The Effects of Changes in Foreign Exchange Rates, RR 11 Revenue, RR 12 Tangible assets, RR 13 Associated Companies, RR 15 Intangible Assets, RR 16 Provisions, Contingent Liabilities and Contingent Assets, RR 21 Borrowing Costs – with the exception described below, RR 23 Related Party Transactions, and RR 27 Financial Instruments: Disclosures and Classification.

The accounting standards for treatment of group and shareholder contributions have been changed from having been previously recognised in the income statement to being recognised in non-restricted equity as retained profit or accumulated deficit. The income statement and balance sheet for 2006 have been correspondingly restated.

All amounts are stated in SEK millions unless otherwise specified.

Consolidated financial statements

The consolidated financial statements include AB Storstockholms Lokaltrafik (the Parent Company) and all companies in which the Parent Company directly or indirectly had a controlling influence at 31 December 2007. The consolidated financial statements have been prepared according to the purchase method, whereby equity in the Group consists of equity in the Parent Company and that portion of equity in the subsidiaries arising after their acquisition or formation. Because the Group's companies will not pay income tax in the foreseeable future, untaxed reserves in the individual companies are recognised in full among the Group's restricted reserves (see taxes).

Intra-group sales, transactions and profits in the Group are eliminated on consolidation.

Minority interest

Minority interest is that portion of a subsidiary's profits and net assets that is not directly or indirectly owned by the Parent Company.

Associated companies

Associated companies are entities in which the Group has a shareholding of at least 20% and at most 50%, or where the Group otherwise has a significant influence. Holdings in associated companies are reported according to the equity method.

Taxes

SL recognises current and deferred tax to the extent that these exist. At present, no taxes are recognised in the Parent Company and its wholly owned subsidiaries. The Parent Company has cumulative loss carryforwards that can be utilised in accordance with the applicable tax equalisation system. Group and shareholder contributions are used to equalise taxable profits within the Group. The exception is SL Kundtjänst AB, which is a partly-owned company. See Note 11.

Operating income

Operating income is stated at the fair value of the amount that has been, or will be, received.

Revenue from the sale of tickets in the form of period cards is recognised on a straight-line basis over the term of the card. Sold but unutilised cards are recognised as deferred income in the balance sheet. Revenue from tickets sold as coupons is recognised on the date of sale.

The operating subsidies from SLL comprise compensation for the performance of services calculated according to a budget approved by SLL. SLL's subsidies can vary from year to year with respect to changed operations or the cost level for these.

Government contribution

Government contribution are recognised as income over the period necessary to match it with the costs it is intended to compensate. When a grant is intended to cover expenses for several years, it is allocated over the years in question. When a grant is intended to cover already incurred losses, it is recognised in full.

Government contribution that are tied to a fixed asset are recognised in the balance sheet as long-term deferred income and in the income statement as an expense that is accrued in a systematic and reasonable manner over the useful life of the asset.

Provisions

Provisions are made for liabilities or obligations where the timing or amount is uncertain. A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) 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.

Intangible assets

Intangible assets are recognised in the balance sheet when it is probable that the economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and write-downs. Depreciation is carried out straight-line over the estimated life of the asset. The period's amortisation is expensed in the income statement.

Amortisation is carried out on a straight-line basis over the estimated useful life of the asset:

Usufruct rights	10 years
Lease leaseholds	50 years

Tangible assets

Tangible assets are initially measured at historical cost and are subsequently measured at cost less accumulated amortisation and write-downs. The depreciable amount is allocated on a systematic basis over useful life of the asset in a manner that reflects the pattern in which the asset's economic benefits are consumed. The period's depreciation is expensed in the income statement.

Depreciation is carried out on a straight-line basis over the estimated useful life of the asset:

Equipment	3–10 years
Rolling stock	5–30 years
Cars	5 years
Buses	10–12,5 years
Rail-bound vehicles	30 years
Track infrastructure	20–50 years
Buildings, land improvements and leasehold improvements	25–50 years

Stores and inventories

Stores and inventories are recognised at the lower of cost and net realisable value, where cost is calculated according to the average method. An allowance for obsolescence is made after individual assessment.

Assets and liabilities in foreign currency

Transactions in foreign currency are translated at the exchange rate ruling on the transaction date. Accounts receivable and accounts payable, other receivables and liabilities and cash in foreign currency are translated at the closing day rate of exchange. Since the transaction date rate or the rate computed in earlier financial reports differs from the closing day rate, this gives rise to a foreign exchange difference that is recognised in the income statement.

Borrowing costs

SL's borrowing costs consist of interest expenses on funds borrowed for investment in

fixed assets. SL's borrowing costs also include the interest component of finance leases.

SL's borrowing costs are expensed in the period in which they arise, with the following exception.

For SL's new commuter trains, which are currently on order, SL made an advance payment to the supplier that has been financed through a loan. The loan is being amortised in pace with delivery of the trains and the final amortisation will be made when the last train is delivered. The advance payment, and therefore also the loan, is part of the business agreement with the supplier, under which the advance was increased and thereby resulted in a lower total acquisition price for the trains. SL's calculations showed that the reduced capital cost for the trains exceeded the interest expense for the increased advance. In view of this, SL deemed the interest expense on the loan to be a profitable alternative to a higher acquisition cost. Since the new commuter trains take a considerable amount of time to complete for their intended use, SL's assessment is that these comprise an asset for which interest can be recognised as part of historical cost. For that reason, SL attributes interest on the loan for the advance payment for new commuter trains to the historical cost of the commuter trains.

Leases

Group

SL as lessee

Finance leases, in which substantially all the risks and rewards incident to ownership are transferred to the lessee, are recorded as assets in the consolidated balance sheet on the contract date. At commencement of the lease term, the asset is recorded at the lower of the fair value of the asset and the present value of the minimum lease payments. The obligation to pay future lease payments is divided between financial expenses (interest) and reduction of the financial liability (amortisation) allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability. The financial expenses are charged to profit.

The depreciable amount of a leased asset is allocated over the estimated useful life of the asset according to the same principles applicable to other assets of the same type.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. For operating leases, the lease payments are recognised as an expense in the income statement over the lease term on a straight-line basis.

SL as lessor

Assets held under operating leases are presented in the balance sheet within each respective asset class. Lease income is recognised over the lease term on a straight-line basis, while lease costs, including depreciation, are expensed as incurred. Depreciation is carried out according to the applicable rules for each class of assets.

The initial direct and incremental costs incurred when negotiating an operating lease are included in the cost of the leased asset and recognised over the term of the lease

Parent Company

In the Parent Company, finance leases are reported according to the rules applicable for operating leases.

Cash flow statement

A cash flow statement shows historical changes in cash and cash equivalents during a period attributable to operating activities, investing activities and financing activities. The cash flow statement is presented according to the indirect method, which means that the net cash from operating activities is adjusted for

- Items in the income statement that do not involve cash receipts or cash payments,
- The period's change in operating assets and operating liabilities, and
- Items included in the cash flow for investing or financing activities.

Financial instruments

Valuation

Financial instruments recognised in the balance sheet include cash and cash equivalents, accounts receivable, accounts payable and derivatives such as options, forward contracts and interest rate swaps. A financial asset or liability is recognised in the balance sheet on the trade date, i.e. the date when SL initially becomes party to the contractual provisions of the instrument, and is initially measured at fair value. Subsequent measurement is at either fair value or amortised cost in the manner described below. A financial asset is derecognised in the balance sheet when the contractual rights are realised or expire or SL has relinquished control of the asset. A financial liability is derecognised in the balance sheet when the obligation specified in the contract is either discharged, cancelled, or otherwise extinguished.

Accounts receivables and loans

Loans and receivables are recognised in the amount in which they are expected to be received after deduction of doubtful debts as-

sessed on a case-by-case basis. Impairment losses on accounts receivable are recognised in operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with banks receivables from SLL in the form of balances on the group account. Cash and cash equivalents are recognised at face value.

Derivatives

Derivatives consist of forward contracts, options and swaps that are used to reduce the risk for foreign exchange effects and interest rate movements. Derivatives are measured at cost.

Financial liabilities

All liabilities are subsequently measured at amortised cost, which is the sum of remaining payment obligations. Long-term liabilities have an expected maturity of longer than 12 months, while current liabilities have a maturity shorter than 12 months. Accounts payable have a short expected maturity and are recognised at the face value without discounting.

Contingent liabilities

A contingent liability is recognised when

- a) there is a possible obligation depending on the occurrence of some uncertain future event, or whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or
- b) an obligation is not recognised as a liability or provision because the possibility of an outflow of economic resources is remote, or the size of the obligation cannot be measured reliably.

Group information

AB Storstockholms Lokaltrafik (SL), corporate identification number 556013-0683, is owned by the Stockholm County Council, corporate identification number 232100-0016.

Notes and comments

(All amounts are stated in SEK millions unless otherwise specified)

NOTE 1 Net sales

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Ticket revenues	4,476	4,049	4,476	4,049
Operating subsidies from SLL	5,346	4,588	5,346	4,588
Increased traffic due to congestion charging trial	0	333	0	333
Total	9,822	8,970	9,822	8,970

NOTE 2 Other operating income

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Vehicle rental	1,299	1,299	22	23
Rental revenues	359	319	375	361
Government grants, etc. ¹⁾	185	213	185	213
Advertising revenues	161	108	161	108
Other	205	273	322	333
Total	2,209	2,212	1,065	1,038

¹⁾ See Note 20.

NOTE 3 Intra-group income and expenses

The Parent Company's sales to other companies in the SL Group amounted to SEK 30 million (33), equal to 0.3% (0.3%) of operating income. The corresponding purchases from other group companies totalled SEK 107 million (95), equal to 1.0% (0.8%) of the Parent Company's total operating expenses.

NOTE 4 Exceptional expenses

In 2006 SL reported a provision for older investments of SEK 956 million pertaining to compensation to SJ (the Swedish State Railways) according to the final arbitration ruling. The amount is recognised in the 2006 income statement as an exceptional expense. No exceptional expenses are recognised in 2007.

NOTE 5 Depreciation and write-downs of on tangible and intangible assets

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
<i>Depreciation/amortisation</i>				
Buildings and land	-232	-210	-231	-210
Track infrastructure	-267	-238	-267	-238
Rolling stock	-694	-684	-11	-5
Machinery and equipment	-85	-65	-83	-64
Total depreciation	-1,278	-1,197	-592	-517
<i>Write downs</i>				
Buildings and land	0	-11	0	-11
Total depreciation/amortisation	0	-11	0	-11
Total depreciation/write-downs and impairment charges on tangible and intangible fixed assets				
	-1,278	-1,208	-592	-528

NOTE 6 Interest income and similar items

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Interest income	35	22	30	20
Capital gains/losses on sale of participations in associated companies	19	0	32	0
Other financial income	26	45	0	3
Total	80	67	62	23

The Group's other financial income includes accrued net income from US-based lease transactions and accrued capital gains on the sale of light rail carriages. In 2007 SL sold its holding in Svensk Banproduktion AB.

NOTE 7 Interest expense and similar items

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Interest on loans from SLL	-101	-124	-77	-56
Interest on finance leases	-392	-213	-	-
Other financial expenses	-27	-34	-23	-18
Total	-520	-371	-100	-74

NOTE 8 Fixed assets in the SL Group

	Usufruct rights	Buildings and land ¹⁾	Track infrastructure	Leased rolling stock	Other rolling stock	Total rolling stock	Plant and machinery	Construction in progress and advance payments ²⁾	Total fixed assets ³⁾
Opening acquisition cost	172	7,342	8,699	10,675	1,896	12,571	894	3,303	32,981
Acquisitions	0	630	727	2,339	54	2,393	61	-366	3,445
Sales/disposals	0	-7	-62	-71	-81	-152	-117	0	-338
Reclassifications	0	0	-208	0	0	0	0	242	34
Closing acquisition cost, 31 Dec. 2006	172	7,965	9,156	12,943	1,869	14,812	838	3,179	36,122
Opening depreciation	-167	-2,703	-1,591	-1,271	-1,218	-2,489	-519	-	-7,469
The year's depreciation	0	-210	-238	-592	-92	-684	-65	-	-1,197
Sales/disposals	0	7	61	31	78	109	117	-	294
Reclassifications	7	0	4	3	0	3	0	-	14
Closing accumulated depreciation, 31 Dec. 2006	-160	-2,906	-1,764	-1,829	-1,232	-3,061	-467	-	-8,358
The year's write-downs	0	-11	0	0	0	0	0	-	-11
Reclassifications	-7	0	0	0	0	0	0	-	-7
Closing accumulated write-downs, 31 Dec. 2006	-7	-11	0	0	0	0	0	-	-18
Closing accumulated government grants, 31 Dec. 2006	-1	-1,030	-1,974	0	0	0	-127	0	-3,132
Closing carrying amount, 31 Dec. 2006	4	4,018	5,418	11,114	637	11,751	244	3,179	24,614
	Usufruct rights	Buildings and land ¹⁾	Track infrastructure	Leased rolling stock	Other rolling stock	Total rolling stock	Plant and machinery	Construction in progress and advance payments ²⁾	Total fixed assets ³⁾
Opening acquisition cost	172	7,965	9,156	12,943	1,869	14,812	838	3,179	36,122
Acquisitions	0	614	740	1,485	196	1,681	152	-77	3,110
Sales/disposals	0	-68	0	-27	-21	-48	-17	0	-133
Reclassifications	0	0	0	-187	-125	-312	4	160	-148
Closing acquisition cost, 31 Dec. 2007	172	8,511	9,896	14,214	1,919	16,133	977	3,262	38,951
Opening depreciation	-160	-2,906	-1,764	-1,829	-1,232	-3,061	-467	-	-8,358
The year's depreciation	0	-232	-267	-599	-95	-694	-85	-	-1,278
Sales/disposals	0	29	0	20	7	27	3	-	59
Reclassifications	0	0	0	72	240	312	0	-	312
Closing accumulated depreciation, 31 Dec. 2007	-160	-3,109	-2,031	-2,336	-1,080	-3,416	-549	-	-9,265
Opening depreciation	-7	-11	0	0	0	0	0	-	-18
The year's write-downs	0	0	0	0	0	0	0	-	0
Reclassifications	0	0	0	0	0	0	0	-	0
Closing accumulated write-downs, 31 Dec. 2007	-7	-11	0	0	0	0	0	-	-18
Closing accumulated government grants, 31 Dec. 2007	-1	-1,030	-1,974	0	0	0	-127	0	-3,132
Closing carrying amount, 31 Dec. 2007	4	4,361	5,891	11,878	839	12,717	301	3,262	26,536

Tax assessment value ¹⁾ 2007: SEK 92 million, of which land SEK 34 million.

Tax assessment value ¹⁾ 2006: SEK 146 million, of which land SEK 54 million.

¹⁾ Certain properties have not been assigned a tax assessment value.

²⁾ Outstanding advance payments to suppliers have been secured by bank guarantees in accordance with SLL's finance policy.

³⁾ See Note 20 regarding government grants.

NOTE 9 Fixed assets in the Parent Company

	Usufruct rights	Buildings and land ¹⁾	Track infrastructure	Rolling stock	Plant and machinery	Construction in progress and advance payments ²⁾	Total fixed assets ³⁾
Opening acquisition cost	172	7,343	8,699	150	892	1,426	18,682
Acquisitions	0	630	727	24	61	572	2,014
Sales/disposals	0	-9	-270	-1	-117	0	-397
Reclassifications	0	0	0	0	0	-167	-167
Closing acquisition cost, 31 Dec. 2006	172	7,964	9,156	173	836	1,831	20,132
Opening depreciation	-167	-2,704	-1,591	-72	-519	-	-5,053
The year's depreciation	0	-209	-238	-6	-64	-	-517
Sales/disposals	0	8	65	1	117	-	191
Reclassifications	7	0	0	0	0	-	7
Closing accumulated depreciation, 31 Dec. 2006	-160	-2,905	-1,764	-77	-466	-	-5,372
The year's write-downs	0	-11	0	0	0	-	-11
Reclassifications	-7	0	0	0	0	-	-7
Closing accumulated write-downs, 31 Dec. 2006	-7	-11	0	0	0	-	-18
Closing accumulated government grants, 31 Dec. 2006	-1	-1,030	-1,974	0	-127	0	-3,132
Closing carrying amount, 31 Dec. 2006	4	4,018	5,418	96	243	1,831	11,610
	Usufruct rights	Buildings and land ¹⁾	Track infrastructure	Rolling stock	Plant and machinery	Construction in progress and advance payments ²⁾	Total fixed assets ³⁾
Opening acquisition cost	172	7,964	9,156	173	836	1,831	20,132
Acquisitions	0	612	740	180	145	951	2,628
Sales/disposals	0	-66	0	0	-16	0	-82
Reclassifications	0	0	0	-46	0	0	-46
Closing acquisition cost, 31 Dec. 2007	172	8,510	9,896	307	965	2,782	22,632
Opening depreciation	-160	-2,905	-1,764	-77	-466	-	-5,372
The year's depreciation	0	-231	-267	-11	-83	-	-592
Sales/disposals	0	27	0	0	6	-	33
Reclassifications	0	0	0	46	0	-	46
Closing accumulated depreciation, 31 Dec. 2007	-160	-3,109	-2,031	-42	-543	-	-5,885
Opening write-downs	-7	-11	0	0	0	-	-18
The year's write-downs	0	0	0	0	0	-	0
Sales/disposals	0	0	0	0	0	-	0
Reclassifications	0	0	0	0	0	-	0
Closing accumulated write-downs, 31 Dec. 2007	-7	-11	0	0	0	-	-18
Closing accumulated government grants, 31 Dec. 2007	-1	-1,030	-1,974	0	-127	0	-3,132
Closing carrying amount, 31 Dec. 2007	4	4,360	5,891	265	295	2,782	13,597

Tax assessment value ¹⁾ 2007: SEK 92 million, of which land SEK 34 million.

Tax assessment value ¹⁾ 2006: SEK 146 million, of which land SEK 54 million.

¹⁾ Certain properties have not been assigned a tax assessment value.

²⁾ Outstanding advance payments to suppliers have been secured by bank guarantees in accordance with SLL's finance policy.

³⁾ See Note 20 regarding government grants.

NOTE 10 Construction in progress and advance payments

This heading includes construction in progress and outstanding advance payments relating to new fixed assets.

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Construction in progress				
Opening balance	2,239	2,107	1,756	1,294
The year's construction	2,274	1,504	2,634	1,751
Capitalised or expensed during the year	-1,689	-1,372	-1,665	-1,289
Total construction in progress	2,824	2,239	2,725	1,756
Advance payments				
Opening balance	940	1,196	75	132
The year's advance payments	1	444	1	29
Advance payments settled during the year	-503	-700	-19	-86
Total advance payments	438	940	57	75
Total construction in progress and advance payments	3,262	3,179	2,782	1,831

Construction in progress consists of a number of ongoing investments in SL's transport infrastructure that have not yet been completed or taken into service. Examples include extensions of and replacement investments in stations, tracks, depots, bus terminals and park-and-ride-sites, as well as investments in the new payment system and new information and communication systems.

Advance payments to suppliers consist mainly of advances to Alstom Transport for the new commuter train carriages where delivery started in 2005. Outstanding advance payments to Alstom Transport at 31 Dec. 2007 amounted to SEK 354 million (838). 58 trains had been delivered at year-end 2007 and the last 13 trains will be delivered in 2008. See also Note 27.

NOTE 11 Shares and participations in subsidiaries and associated companies, etc.

Subsidiary	Corp. ID number	Domicile	No. of shares	Holding, % ¹⁾	Equity	Profit/loss for the year	Book value at 31 Dec. 2007
AB SL Finans	556402-7166	Stockholm	1,000	100.0%	0.1	350.2	0.1
SL HR-Service AB	556402-7190	Stockholm	1,000	100.0%	0.1	3.8	0.1
SL Kundtjänst AB	556401-0022	Stockholm	510	51.0%	4.7	0.6	0.051
SL Infrateknik AB	556402-4684	Stockholm	1,000	100.0%	0.1	-10.0	0.1
SL Lidingö Trafik AB ²⁾	556011-3267	Stockholm	11,609	96.74%	1.4	0	1.1
Fastighets AB Viggstaberget ²⁾	556094-4158	Stockholm	1,000	100.0%	0.1	0	0.1
Total shares and participations in subsidiaries							1.6

In addition, SL holds the following other shares and participations:

Associated company, etc.	Corp. ID number	Domicile	No. of shares	Holding, % ¹⁾	Equity ⁴⁾	Profit/loss for the year ⁴⁾	Book value at 31 Dec. 2007
AB Transitio	556033-1984	Stockholm	89,000	44.5%	20.1	0	8.9
Stockholms Terminal AB	556255-1928	Stockholm	400	40.0%	0.8	0	0.4
Tågja AB	556591-7233	Stockholm	1,000	33.3 %	67.8	10.9	0
Busslink i Sverige AB	556473-5057	Stockholm	10,035	30.0%	88.7	-14.4	0
Samtrafiken i Sverige AB ³⁾	556467-7598	Stockholm	30	2.12%	-	-	-
SLTF Resekortet i Sverige AB ³⁾	556691-8222	Stockholm	6,667	13.33%	-	-	-
Total shares and participations in associated companies, etc.							9.3
Total shares and participations in subsidiaries and associated companies, etc.							10.9

SL's holding in Tågja AB after 31 Dec. 2007 is described in the administration report under "Ownership structure".

1) Holding = share of votes

2) Dormant company

3) Not an associated company

4) Equity from closing balance for 2006, profit/loss for the year based partly on preliminary figures.

NOTE 12 Shares in profit and equity of associated companies

	GROUP	
	2007	2006
Shares in profit of associated companies ¹⁾	-1	18
Shares in equity of associated companies ¹⁾		
Svensk Banproduktion AB ²⁾	0	23
Busslink i Sverige AB	0	0
Tågja AB	5	2
AB Transitio	16	17
Stockholms Terminal AB	1	1
Total shares in equity of associated companies	22	43

¹⁾ Shares in profit/loss and equity of associated companies have been based partly on preliminary figures.

²⁾ In 2007 SL sold its shares in Svensk Banproduktion AB.

NOTE 13 Cash and cash equivalents – cash flow statement

The SL Group's cash balance on the group account with SLL is shown in the item "cash and cash equivalents". This balance comprises a current receivable from SLL within the framework of the group account system. These cash and cash equivalents are broken down as follows:

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Balance on group account	699	1,103	400	1,103
Other bank balances	93	79	76	72
Total	792	1,182	476	1,175

The decrease in the Parent Company's cash and cash equivalents during 2007 compared to the balance at 31 December 2006 is partly explained by the year's investments, which have not been fully financed through loans or grants. The same applies to the Group. A shareholder contribution of SEK 955 from SLL has been used to amortise debts.

NOTE 14 Equity in the SL Group

	Share capital	Restricted reserves	Retained profit/loss	Profit/loss for the year	Total equity
Equity according to the adopted balance sheet at 31 Dec. 2005	4,000	1,761	-342	340	5,759
Transferred to restricted reserves ^{*)}		18	-18		0
Transfer between restricted and non-restricted reserves		2	-3		-1
Allocation of profit/loss by decision of the AGM			340	-340	0
Profit/loss for the year				-955	-955
Equity, 31 Dec. 2006	4,000	1,781	-23	-955	4,803
	Share capital	Restricted reserves	Retained profit/loss	Profit/loss for the year	Total equity
Equity according to the adopted balance sheet at 31 Dec. 2006	4,000	1,781	-23	-955	4,803
Transferred to restricted reserves ^{*)}		-1	1		0
Transfer between restricted and non-restricted reserves		14	-14		0
Allocation of profit/loss by decision of the AGM			-955	955	0
Shareholder contribution received			955		955
Profit/loss for the year				320	320
Equity, 31 Dec. 2007	4,000	1,794	-36	320	6,078

^{*)} Transfer to equity method reserve

NOTE 15 Equity in the Parent Company

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Retained profit/loss	Profit/loss for the year	
Equity according to the adopted balance sheet at 31 Dec. 2005	4,000	14	633	-193	4,454
Allocation of profit by decision of the AGM			-193	193	0
Group contributions paid/received			563		563
Shareholder contributions paid			-30		-30
Loss for the year				-1,367	-1,367
Equity, 31 Dec. 2006	4,000	14	973	-1,367	3,620

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Retained profit/loss	Profit/loss for the year	
Equity according to the adopted balance sheet at 31 Dec. 2006	4,000	14	973	-1,367	3,620
Allocation of profit by decision of the AGM			-1,367	1,367	0
Shareholder contributions received			955		955
Group contributions paid/received			344		344
Profit for the year				82	82
Equity, 31 Dec. 2007	4,000	14	905	82	5,001

Share capital in AB Storstockholms Lokaltrafik:

Number of class A shares: 315,000 with a quota value of SEK 50 each.

Number of class B shares: 79,685,000 with a quota value of SEK 50 each. In earlier years, the company has received conditional shareholder contributions of SEK 36,211 million from SLL.

NOTE 16 Untaxed reserves

	PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006
Accumulated depreciation in excess of plan	1,923	1,923
Total	1,923	1,923

NOTE 17 Provisions

	GROUP				
	31 Dec. 2006	Utilised during the year	Reversal of unutilised amount	The year's provisions	31 Dec. 2007
Provisions for pensions (Note 18)	226			7	233
Dispute regarding site leasehold rents	19				19
Estimated maintenance costs	445	-156		207	496
Restructuring reserve	77	-6	-2	6	75
Certain payments to SJ	956	-243		17	730
Contracted modification of carriages/internal profit reserve	45				45
Installation reserve	62			161	223
Other	14	-12	-26	32	8
Total	1,844	-417	-28	430	1,829

Note 17, cont'd

	PARENT COMPANY				
	31 Dec. 2006	Utilised during the year	Reversal of unutilised amount	The year's provisions	31 Dec. 2007
Provisions for pensions (Note 18)	222			8	230
Dispute regarding site leasehold rents	19				19
Estimated maintenance costs	445	-156		207	496
Restructuring reserve	58	-5		6	59
Certain payments to SJ	956	-243		17	730
Other	60	-12	-26	22	44
Total	1,760	-416	-26	260	1,578

Estimated maintenance costs refer to underground carriages, new commuter trains and light rail carriages. The required provision is calculated according to the useful life of the vehicles, 30 years.

The restructuring reserve refers to commitments to contractors (or their owners).

The provision for **payments to SJ** refers to estimated payments during the period from 2008 to 2010 for the "old liability" regarding older investments in the commuter train system. The provision has been made at face value. See also Note 4.

Other consists of a number of smaller items where claims have been made on SL or there are other difficulties in assessing the exact size of the commitment. These items should be settled within a few years.

NOTE 18 Provisions for pensions

Pension commitments arising in or after 1992 are reported by SL as a pension liability in the respective company.

	31 Dec. 2007		31 Dec. 2006	
	GROUP	PARENT COMPANY	GROUP	PARENT COMPANY
AB SL	230	222		
SL HR-Service AB	3	4		
Total	233	226		

A new collective occupational pension agreement, KAP-KL, for the SL Group's employees was signed in January 2007. The agreement applies retroactively from 1 January 2006.

Under KAP-KL, the defined contribution component will increase and will now be computed as a certain percentage of the total payroll for all plan participants. That portion of salary exceeding 7.5 income base amounts (formerly price base amounts) is covered by a defined benefit old-age pension and is recognised in the pension liability. The year's past service costs for defined contribution old-age pensions are not included in the provision but are recognised as a current liability. In 2008, the estimated pension liability according to KAP-KL will be affected by changed interest rate and mortality assumptions. Costs for pension obligations arising prior to 1992 are recognised by, and charged to, SLL. This pension liability, referring to the current SL Group, is computed by KPA.

NOTE 19 Maturity structure of long-term liabilities

Of long-term loans from SLL, a sum of SEK 1,496 million (1,502) will mature for payment later than five years after the balance sheet date. Of other long-term liabilities, a sum of SEK 9,758 million (8,980) will mature for payment later than five years after the balance sheet date. The remainder of long-term loans from SLL and other long-term liabilities will mature for payment within one to five years.

NOTE 20 Long-term prepaid income

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Government grants according to the County Plan, the Dennis Agreement, etc.	2,326	2,400	2,326	2,400
Banverket's Future Plan (vehicles)	1,180	1,058	1,180	1,058
Government grants for additional costs arising from the congestion charging trial	380	90	380	90
Financing subsidies for US leases and capital gains	485	506	0	0
Total	4,371	4,054	3,886	3,548

Government grants according to the County Plan, the Dennis Agreement, etc., consist of grants for investments in fixed assets. Of the government grants for additional costs arising from the congestion charging trial, a sum of SEK 180 million (90) refers to investments in fixed assets.

All operating subsidies have been received free from repayment obligations.

The current portion is estimated at SEK 170 million (176) in the Group and in the Parent Company.

NOTE 21 Deferred expenses and accrued income

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Prepaid insurance premiums	15	17	14	17
Prepaid construction contracting costs	46	41	46	41
Prepaid transport contracting costs	20	99	20	99
Accrued traffic revenue	1	13	1	13
Accrued contract revenue	57	38	53	38
Other items	36	26	35	21
Total	175	234	169	229

NOTE 22 Accrued expenses and prepaid income

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Accrued construction contracting costs	83	79	83	77
Accrued transport contracting costs	164	49	164	49
Accrued interest expenses	80	81	0	0
Prepaid finance leases	35	59	0	0
Prepaid congestion charging	0	82	0	82
Prepaid tickets and cars	39	6	39	6
Other items	67	48	43	34
Total	468	404	329	248

NOTE 23 Leases

Swedish leases

Finance leases where SL is lessee

In addition to its own infrastructure, the SL Group has had fixed assets (rail-bound vehicles and buses) at its disposal during the year through finance lease arrangements). The book values of the leased assets on the balance sheet date are shown in Note 8, under leased rolling stock. The total lease liability amounts to SEK 12,400 million (11,445), of which SEK 11,901 million (10,989) is reported as a long-term liability and the coming years' depreciation of SEK 499 million (456) as a current liability. These lease arrangements are recognised in the SL Group's balance sheet. In the SL Group's income statement, the cost of leased vehicles is recognised as an interest expense of SEK 392 million (213), corresponding to the interest component of the lease charges, and as depreciation of SEK 599 million (592).

The SL Group's finance leases carry variable interest. The SL companies that are party to the agreements are the Parent Company AB SL and the subsidiary AB SL Finans.

Future payment obligations under the existing leases are broken down as follows, computed according to an interest rate of 4.4%.

The specified payments refer to leases obligations for carriages and buses:

Group	Minimum lease payments incl. purchase option	Present value
2008	1,062	1,018
2009–2012	4,254	3,659
2013 and later	12,815	8,263

Note 23, cont'd

Operating leases where SL is lessee

The specified payments refer to leases for carriages:

Parent Company	Minimum lease payments incl. purchase option
2008	15
2009–2012	222

Finance leases where SL is lessor

The SL Group has no finance lease contracts where the Group is lessor.

Operating leases where SL is lessor

The specified payments refer to leases for rolling stock.

Acquisition cost, 31 Dec. 2007	16,298
The year's depreciation	-694
Accumulated planned depreciation, 31 Dec. 2007	-3,755

The operating leases carry fixed interest, with the exception of the leases for buses which carry variable interest.

The maturity structure for future lease payments to the Group under non-cancelable lease contracts is broken down as follows. The specified payments refer to buses, underground carriages, commuter trains and suburban railways/light rail. Lease revenues for buses are computed according to an interest rate of 4.4%.

Group	Minimum lease payments incl. purchase option
2008	1,291
2009–2012	2,124
2013 and later	868

US-based lease contracts

In 2001, 2002 and 2003, SL and SL Finans carried out lease transactions with US-based banks as investors for the purchase of rail-bound vehicles. In these financial transactions, SL has bound itself to pay lease charges during the term of the contracts. A portion of the necessary funds has been deposited on account in a bank with a credit rating of AA, and the remainder has been placed in securities with a rating of AAA. SL has assumed a credit risk, but this is deemed to be negligible with respect to the nature of the contracts. If the security of these arrangements should decrease in the future, SL has the option of changing to another bank with a higher rating. The received advance payments and paid deposits have been reported net in the balance sheet. The contracts have been drawn up and examined by legal experts in Sweden and the USA and are consistent with the customary practice for transactions of this type.

SL's and SL Finans' obligations under both the Swedish and the US-based lease contracts are guaranteed by SLL. If SLL's credit rating (currently AA at Standard & Poor's) should fall, SL will supplement the guarantee, primarily for the US-based lease contracts, with bank guarantees or similar. SL assesses the probability that a US-based lease contract guaranteed by SLL would have to be prematurely terminated as very low, for which reason no future obligation has been taken up under contingent liabilities.

NOTE 24 Pledged assets and contingent liabilities

Surety of SEK 23 million (23) has been furnished on behalf of Stockholms Terminal AB.

SLL has taken over reporting and provision of surety for the pension liability in respect of the SL Group's pension obligations for the period ending 31 December 1991.

New obligations arising on or after 1 January 1992 are reported by SL (see Note 18). SLL also provides surety for these.

NOTE 25 Personnel

Personnel costs

Salaries and remuneration (see spec. below)	2007	2006
Board and Managing Director	4	6
Others	274	236
	278	242
Social security expenses (see spec. below)	121*	118*
Other personnel costs	27	23
	148	141
Total Group	426	383

* Of which, pension costs for the Board and Managing Director amounted to SEK 0.6 million (1.4).

Number of employees, salaries and remuneration

Average number of employees during the year	No. of employees 2007	No. of employees 2006	Of whom, women 2007	Of whom, women 2006
Parent Company	489	414	170	132
Subsidiaries	210	153	77	53
Total Group	699	567	247	185

Number of employees at 31 December	2007	2006	2007	2006
Parent Company	561	500	211	178
Subsidiaries	256	222	96	78
Total Group	817	722	307	256

Salaries and other remuneration and social security expenses	Total salaries and other remuneration 2007	Total salaries and other remuneration 2006	Social security expenses 2007	Social security expenses 2006
Parent Company	209	189	93	95
(of which, pension costs)			(17)	(26)
Subsidiaries	69	53	28	23
(of which, pension costs)			(3)	(4)
Total Group	278	242	121	118
(of which, pension costs)			(20)	(30)

Salaries and other remuneration	Board and MD 2007	Board and MD 2006	Other employees 2007	Other employees 2006
Parent Company	2.5	4.2	206.8	185.1
Subsidiaries	1.3	1.3	67.4	51.0
Total Group	3.8	5.5	274.2	236.1

Gender distribution	Number	2007		2006	
		Of whom, women	Number	Of whom, women	Number
Board of Directors	13	5	9	5	
Replacements	13	7	9	3	
Executive management	10	4	9	4	
Senior executives in subsidiaries	4	2	4	1	

Employee sickness absence

In accordance with the Swedish Annual Reports Act, sickness absence is reported for employees in the Group and the Parent Company.

Sickness absence in relation to regular working hours, %	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Sickness absence for women	6.6	7.9	4.9	7.5
Sickness absence for men	5.3	5.0	4.1	4.5
Sickness absence for employees 29 years or younger	4.4	5.0	2.2	2.2
Sickness absence for employees 30–49 years	5.3	5.0	3.5	4.1
Sickness absence for employees 50 years or older	6.6	7.4	5.6	7.3
Total sickness absence	5.8	6.0	4.4	5.5

Sickness absence for 60 days or more as a % of total sickness absence according to the above table

	2007	2006	2007	2006
Sickness absence for women, 60 days or more	2.1	4.6	2.0	5.1
Sickness absence for men, 60 days or more	2.6	2.8	2.2	2.9
Total sickness absence for 60 days or more	2.4	3.4	2.1	3.6

Benefits of senior executives:

Salaries and remuneration to the Board of Directors and the Managing Director of AB SL in 2007 were paid in an amount of SEK 2,484 thousand (4,234), of which the Managing Director received SEK 1,590 thousand (3,685). Of AB SL's total pension costs, a sum of SEK 1,533 thousand (1,157) refers to the Board of Directors and the Managing Director.

Lennart Jangälv left his post as Managing Director on 14 December 2006. On 1 January 2007, Ingemar Ziegler took up duties as Managing Director.

Pension terms for the Managing Director: Pension solution according to the rules in SLL's management pension plan or, alternatively, as of 1 January 2009 to retire or leave his position as Managing Director and thereby reduce his working hours in accordance with contracted special conditions. In the event of dismissal by the company, salary is payable for a period of 24 months, but only up to the contractual age of retirement. If the Managing Director receives new income from employment, termination benefits during the last twelve months will be coordinated so that the termination benefits are reduced by 100% of the new income from employment. The term of notice if initiated by the Managing Director is 6 months.

NOTE 26 Fees and other remuneration to auditors

The amounts apply to both the Group and the Parent Company.

Amounts in SEK thousands	Auditing fees		Consulting fees	
	2007	2006	2007	2006
Ernst & Young	1,329	2,188	844	980
Total	1,329	2,188	844	980

Changed accounting standards as of 2007. Auditing expenses are now reported by calendar year rather than audit year, as previously. The comparative figures for 2006 have been correspondingly restated.

NOTE 27 Financial instruments

Through its operations the Group is exposed to different types of financial risk. It is SL's responsibility to identify financial risks and to manage these in consultation with SLL Internfinans. All companies and administrations that are wholly owned subsidiaries of SLL are required to comply with its policies where applicable. The purpose of the finance policy is to provide general guidelines for financing activities, for which the objective is to manage finances in such a way that the requirements for a good return and adequate security are satisfied. Within the prescribed risk limits, SL strives to attain a good return on cash management and incur the lowest possible costs for borrowing and debt management.

The Group engages in derivative transactions, mainly forward exchange contracts and interest rate swaps, in order to manage the currency and interest rate risks that arise in the Group's operations and financing. Trading of financial instruments is undertaken solely for hedging purposes. SLL is the counterparty in all transactions to reduce currency and interest rate risks. On the balance sheet date at 31 December 2007, SL had entered into interest rate swaps for a total of SEK 3,700 million (3,700). The market value at 31 December 2007 was SEK 105.6 million (-28.3). The fair value of the interest rate swaps is therefore higher than their carrying amount. However, SL intends to hold these until maturity. The market value will vary over the term of the contracts, but will have no effect on profit. When the contracts mature, their market value will be zero.

Gains and losses on forward exchange contracts and currency options are recognised in the period in which they arise. Amounts to be paid or received in respect of interest rate swaps are recognised in the period in which they arise as interest expenses or interest income.

As a result of transactions with financial instruments, the company may assume one or several of the financial risks that are described below, or transfer such risks to another party. The financial risks applicable to SL are currency risk, interest rate risk, credit, liquidity risk and cash flow risk.

Currency risk

Currency risk arises when SL enters into agreements connected to a foreign currency.

In accordance with SL's guidelines and SLL's finance policy, no significant currency exposure is permitted. Financing and investments may be undertaken in foreign currency, but all currency exposure shall be eliminated when the contracts are signed unless otherwise agreed with AB SLL Internfinans. All currency flows arising twelve months forward in time (one year or later) and/or where the contract involves an amount of more than SEK 1 million are hedged primarily through forward exchange contracts. The structure of the currency hedges and the degree of hedging are cleared with SLL Internfinans before signing agreements in foreign currency.

SL has ordered 71 commuter train carriages that will be paid for in euro. On the balance sheet date, 10 (34) carriages had been hedged for a total value of SEK 446 million (1,514).

Note 27, cont'd

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary as a result of movements in market interest rates. The SL Group's lease contracts carry variable interest, which offers attractive financing but at the same time entails a risk for increased interest expenses in the event of rising market interest rates. To offset this effect, SL has entered into interest rate swaps with AB SLL Internfinans for a total value of SEK 3,700 million (3,700). On 31 December 2007, the average fixed interest period was 2.2 years (2.5), which is within the framework of SL's guidelines and SLL's finance policy.

Credit risk

Credit risk is the risk that a party to a transaction with a financial instrument will be unable to meet its obligations and thereby cause a loss to the other party. In the event of advance payments, a risk arises that the supplier will become insolvent before delivery has been completed. SL avoids advance payments as far as possible. One condition for advance payment is that a bank guarantee or similar is furnished. Half of SL's net sales consist of subsidies from SLL and the other half of ticket revenues generated mainly by ticket agents. Sales via ticket agents are associated with limited risk, due to the diversified customer base and the ability to quickly exclude an agent in the event of misconduct.

Liquidity risk

Liquidity risk is the risk that a company will have difficulty in obtaining funds to meet the obligations associated with financial instruments. Liquidity risk can arise due to the difficulty of quickly sell off a financial asset for a price that is close to fair value. Since SLL stands as guarantor for SL's obligations, the risk for a liquidity shortage in SL is minor.

Cash flow risk

To minimise cash flow risk, SLL guarantees current and future profit coverage for SL and its subsidiaries through an agreement with SL. Furthermore, investment costs are financed through loans from AB SLL Internfinans, through leases in consultation with AB SLL Internfinans and through government grants.

NOTE 28 Related party transactions

Subsidiaries

Sales of services and products between companies in the SL Group are carried out at cost. The Parent Company invoices the subsidiaries for administrative expenses.

AB SL Finans is responsible for financing of new and reinvestments, mainly in rail-bound vehicles.

SL HR-Service AB is responsible for maintenance, repair and rebuilding activities in the area of lift and escalator service.

SL Kundtjänst AB is responsible for overall customer service in SL traffic.

SL Infrateknik AB takes over ongoing vehicle investment and property projects in pace with their completion and transfer to the Parent Company. Vehicles that are intended to be financed externally, such as the new commuter trains, are reported in this company.

Transactions between the Parent Company and its subsidiaries in 2007

Subsidiary	Sales to	Purchases from	Receivables from	Liabilities to
AB SL Finans	15	1	254	231
SL HR-Service AB	4	60	14	23
SL Kundtjänst AB	4	46	12	0
SL Infrateknik AB	7	0	1,397	412
Total	30	107	1,677	666

Financial flows between the Parent Company and its subsidiaries are reported in minor values. (See also Note 3).

Associated companies

Sales of services and products between the SL Group and associated companies are carried out at market-based prices. The commercial relationships with the associated companies are governed by traffic agreements, maintenance agreements, rental agreements, etc. The rental agreements with Busslink and Tågja are linked to traffic agreements. The maintenance agreement with Tågja is also linked to traffic agreements.

Transactions between subsidiaries and associated companies in 2007

Associated company	Sales to	Purchases from	Receivables from	Liabilities to
Busslink i Sverige AB	174	1,797	31	263
AB Transitio	0	0	0	-2
Tågja AB	114	78	38	46
Total	288	1,875	69	307

Transactions between the Parent Company and associated companies in 2007

Associated company	Sales to	Purchases from	Receivables from	Liabilities to
Busslink i Sverige AB	8	1,797	83	263
Tågja AB	28	78	28	42
Total	36	1,875	111	305

Stockholm County Council

AB Storstockholms Lokaltrafik is a wholly owned subsidiary of the Stockholm County Council. Of the SL Group's total purchases and sales, 0.2% (0.2%) of the purchases and 0.3% (0.8%) of the sales pertain to other companies and units in the Stockholm County Council.

Other

See also presentation of SL's Board of Directors and Executive Management and Note 25, which provides information about remuneration to senior executives.

Audit report

To the annual general meeting of AB Storstockholms Lokaltrafik Corporate identification number 556013-0683

We have audited the annual accounts consisting of pages 36–56, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of AB Storstockholms Lokaltrafik for the financial year 1 January 2007 – 31 December 2007. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit

also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair

view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 10 March 2008

Ernst & Young AB

Magnus Fagerstedt
Authorised Public Accountant

Review report for AB Storstockholms Lokaltrafik 2007

Stockholm County Council • Annual General Meeting of AB Storstockholms Lokaltrafik Corporate identification number 556013-0683

We, the lay accountants appointed by the Stockholm County Council, have examined the activities of AB Storstockholms Lokaltrafik for the financial year 2007.

The Board of Directors and the Managing Director are responsible for ensuring that the company's activities are conducted in accordance with the current articles of association, the directives and decisions of its owner and the applicable instructions for the company's operations. The responsibility of the lay accountants is to review the company's management and control and determine whether operations have been conducted in a manner consistent with the company's mandate from the County Council.

We conducted our review in accordance with the Swedish Companies Act, the Swedish Municipality Act, generally accepted accounting standards in municipal corporations, the County Council's auditing rules and the established audit plan for 2007. Our review was performed with the focus and scope necessary to provide a reasonable basis for our assessment and has resulted in the outcome described in the attached 2007 annual report for AB Storstockholms Lokaltrafik, SL.¹⁾

We have noted improvements, but also continued deficiencies, in the company's internal control. These apply to control over agreements, the lack of an internal control plan, shortcomings in the IT area and shortcomings in parts of the investment process.

After consultation with the authorised public accountant, we therefore find that there are still deficiencies in important aspects of internal control. On the whole, however, it is our opinion that the company's operations have been managed in an appropriate and, from a financial standpoint, satisfactory manner.

We submit our opinion and otherwise refer to the report of the County Council Audit Office.

Stockholm, 13 March 2008

Gunilla Jerlinger
Bernt Östh
Gunilla Hansson
Göran Dahlstrand
Benkt Kullgard

¹⁾ The 2007 annual report for AB Storstockholms Lokaltrafik, SL, is available at www.sll.se/rev.

Board and auditors



1.
Chairman since 2007
Christer G. Wennerholm (m)*
Born in 1953, County Commissioner,
Public Transport
Attendance, 12 meetings

2.
First Vice Chairman since 2007
Lennart Rohdin (fp)
Born in 1947, Gräddö
Former member of
Swedish Parliament
Attendance, 11 meetings

3.
Second Vice Chairman since 2007
Lars Dahlberg (s)
Born in 1962, Järfälla
County Commissioner
Attendance, 12 meetings

4.
Board member since 2007
Cathrin Bergenstråhle (m)
Born in 1960, Nacka
Social Worker
Attendance, 11 meetings

5.
Board member since 2007
Yvonne Blombäck (mp)
Born in 1957, Gustavsberg
Business owner
Attendance, 10 meetings

6.
Board member since 1999
Charlotte Broberg (m)
Born in 1968, Älvsjö
City Commissioner Secretary
Attendance, 10 meetings

7.
Board member since 2007
Gun Eriksson (s)
Born in 1948, Märsta
Vice Chairman Municipal Council,
Sigtuna
Attendance, 10 meetings

8.
Board member since 2007
Tage Gripénstam (c)
Born in 1955, Hölö
Municipal Commissioner, Södertälje
Attendance, 11 meetings

Annual General Meeting

The latest AGM, held on 19 June 2007, adopted the income statement and balance sheet for the 2006 financial year. At the same time, the AGM granted the Board of Directors and the Managing Director discharge from liability for their management during the 2006 financial year.

Articles of Association

The current Articles of Association state that the purpose of SL's operations is to "meet the obligations assigned to the Stockholm County Council as the authority responsible for the county's local and regional scheduled traffic for land-based public passenger transports. This mandate includes planning and procurement of the requisite transport services."

Board of Directors

The Stockholm County Council appoints regular Board members, deputy Board members and

lay accountants to AB SL, while the Authorised Public Accountant and deputy auditors are elected by the AGM. The right of attendance by the employee representatives is regulated by the provisions in the Act (1987:1245) on Board Representation for Private Sector Employees. In SL's Board of Directors, the employee representatives have the right to express an opinion, to put forward a motion and to have their opinions recorded in the minutes, but do not have the right to make decisions.

The Board held 12 meetings during 2007. Following the 2007 AGM, the Board of Directors held five scheduled meetings during the period until year-end. The average rate of attendance has been just under 11 meetings. At these meetings, the Board has dealt with fixed items such as the business situation, procurements, financial reporting, budgeting and traffic changes for the commuter trains and underground. In

addition, overall strategic matters such as SL's future focus and visions have been analysed. Among other things, the Board has passed a decision on SL's new strategic platform. Björn Dalborg was Secretary of the Board until 30 April 2007. For the remainder of the year, Ingela Svanberg served as Board Secretary.

Board Chairman

The County Council appoints the Board Chairman and the two Vice Chairmen. The Board Chairman since 1 January 2007 is County Commissioner of Public Transport, Christer G. Wennerholm (m)*. Lennart Rohdin (fp)* is First Vice Chairman and Lars Dahlberg (s)* is Second Vice Chairman.

Managing Director

The Managing Director supervises the company's operations in accordance with the instructions adopted by the Board. After consultation with the Chairman, the Managing Director shall en-



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9.
Board member since 2006
Lennart Kalderén (m)
Born in 1958, Rönninge
Municipal Commissioner, Salem
Attendance, 10 meetings

10.
Board member since 2007
Peter Kockum (m)
Born in 1941, Sigtuna
Director
Attendance, 12 meetings

11.
Board member since 2007
Johan Sjölander (s)
Born in 1973, Hässelby
Political Secretary
Attendance, 9 meetings

12.
Board member since 2007
Jan Stefanson (kd)
Born in 1953, Bro
Managing Director
Attendance, 12 meetings

13.
Board member since 2007
Nanna Wikholm (s)
Born in 1977, Farsta
Civil Engineer
Attendance, 9 meetings

Employee representatives
Wivianne Ling SKTF,
until 31 March 2007
Arne Grundberg SKTF,
since 1 April 2007
Lennart Hallgren SACO

Deputy Board members

Alexandra Birk (fp)
Marie Bladholm (m)
Roland Dehlin (m)
Stella Fare (fp)
Staffan Holmberg (s)
Shashika Padmaperuma (m)
Gunilla Roxby Cromvall (v)
Michael Stjernström (kd)
Andreas Strömberg (c)
Helena Söderlind Paues (s)
Ingmar Wallén (m)
Göran Wrene (s)

* fp = Liberal Party s = Social Democratic Party m = Moderate Party kd = Christian Democratic Party v = Leftist Party mp = Environmental Party

sure that the Board members are supplied with the necessary information and decision data. The Managing Director, or person appointed for this purpose, is also required to present reports and put forward proposals at Board meetings regarding matters dealt with by the Executive Management and to ensure that the Board members and Board Chairman are continuously informed about the financial position and development of the company and the Group.

Executive Management

The Managing Director of AB SL leads the Group's Executive Management. Aside from the Managing Director, the Executive Management consists of those persons appointed by the Managing Director, see page 60. This is a consultative body for the Managing Director and therefore has no autonomous decision-making authority. The Executive Management meets as determined by the Managing Director.

Financial reporting and internal control

The Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial circumstances can be monitored in a satisfactory manner and that its financial reporting is performed as prescribed by law, the relevant accounting standards and other applicable requirements. The Managing Director ensures that financial accounting in the Group's companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner.

Auditors

The task of the company's Authorised Public Accountant is to review the financial accounts and the management of the Board and Managing Director in accordance with generally accepted accounting practices. The Authorised Public Accountant is elected by the AGM. The responsi-

bilities of the lay accountants are to ensure that the company's operations are managed in an appropriate and financially satisfactory manner and that the company's internal control is adequate. This audit shall be carried out according to generally accepted practices for lay accountants. The lay accountants are elected by the Stockholm County Council and are announced at the AGM.

Authorised Public Accountant

Magnus Fagerstedt
Ernst & Young AB since 2003

Lay accountants

Gunilla Jerlinger, (s) Chairman
Benkt Kullgard, (m) Vice Chairman
Göran Dahlstrand (s)
Gunilla Hansson (c)
Bernt Östh (m)

SL's Executive Management



SL's Executive Management on one of the most recent additions to SL traffic, a third-generation ethanol bus that was delivered to the Hornsberg garage in December 2007.

Johan von Schantz

Technical Director since 2004
Employed by SL since 2004.
Mode of travel to work: Bus and the underground's Red and Blue Lines.

Lars Nordstrand

Traffic Director since 2005.
Employed by SL since 1992.
Mode of travel to work: Bus and the underground's Green and Blue Lines.

Ingemar Ziegler

Managing Director. Employed by SL since 2007.
Other assignments: Board member of Akademiska Hus, the National Fortifications Administration and Clarastiftelsen, deputy board member of SLL Internfinans. Former Managing Director of Locum.

Mode of travel to work: The underground's Red and Blue Lines.

Ulf Brandt

Director of Property Development since 2007.
Employed by SL since 2007.
Mode of travel to work: Bus and the underground's Red and Blue Lines.

Ann-Sofie Chudi

Director of Business Development since 2006.
Employed by SL since 2001.
Mode of travel to work: Bus and the underground's Red and Blue Lines.

Johan Hedenfalk

Director of Security since 1989.
Employed by SL since 1989.
Mode of travel to work: Commuter train and walking.

Björn Holmberg

Chief of Staff since 2007
Employed by SL since 1988
Mode of travel to work: Bus and the underground's Green Line.

Gunnel Forsberg

Financial Director since 2007.
Employed by SL since 2007.
Mode of travel to work: The underground's Green Line

Ragna Forslund

Senior Legal Advisor since 2005.
Employed by SL since 2004.
Mode of travel to work: Bus, commuter train and the underground's Green Line.

Elisabet Munters

Marketing Director since 2005.
Employed by SL since 1999.
Mode of travel to work: Car and the underground's Green Line.

Jan Hamrin

Personnel Director since 1998.
Employed by SL since 1980.
Mode of travel to work: Car and the underground's Blue Line.

Operating figures

MARKET	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Population of Stockholm County (thousands of residents)										
Population	1,949	1,918	1,890	1,873	1,861	1,850	1,839	1,823	1,803	1,783
Number of passenger cars in Stockholm County (thousands)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Passenger cars	783	759	754	746	738	730	716	680	644	620
Public transport share (%)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Average at city entrance point, 6 a.m. – 9 p.m.	66	64	61	59	58	59	58	58	58	57
Average at city entrance point, rush hour	78	77	75	73	73	73	74	74	74	73
Ticket sales (SEK thousands)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
30-day cards including Bålsta/Arlanda	3,969	3,792	3,950	3,811	3,904	4,012	4,050	4,080	3,733	3,624
Season cards	191	213	225	225	227	226	247	272	298	338
Annual and corporate cards	3	1	1	1	2	2	4	2	3	5
7-day cards	216	82								
Reduced price tickets		57,882	172,319	167,441	161,288	162,630	147,110	131,880	147,449	142,144
Cash tickets	4,306	4,506	12,720	14,824	24,640	27,129	37,164	41,643	41,075	39,221
Single unit tickets, SEK 20/10	7,959	32,427								
Slip with 16 pre-paid tickets, SEK 180/90	1,670	3,107								
Single fare tickets, incl. pre-paid	24,661	63,497								
Pre-paid tickets	6,953									
Student cards	36									
Text message and vending machine tickets	3,676									
Complete journeys (millions)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
A complete journey can consist of several boardings.										
Total	417	410	387	386	389	390	391	389	383	379
Boardings, by transport type (millions)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>Boardings in this context are defined as partial journeys. A complete journey with one transfer is equal to two boardings.</i>										
Underground	303	297	276	278	279	282	283	284	273	269
Commuter train	66	64	63	62	63	64	64	61	66	63
Local train	34	32	30	29	27	25	25	22	18	17
Bus	269	267	254	253	258	256	258	259	260	261
Total	672	660	623	622	627	627	630	626	617	610
Boardings on a typical weekday, by transport type (thousands)	2007	2006 ¹⁾	2005	2004	2003	2002	2001	2000	1999	1998
Underground	1,094	1,072	1,016	1,016	1,012	1,034	1,032	1,042	995	979
Commuter train	242	233	229	225	230	232	231	218	235	223
Local train	123	116	107	104	100	92	90	81	66	63
Bus	975	971	925	914	931	931	929	934	939	942
Total	2,434	2,392	2,277	2,259	2,273	2,289	2,282	2,275	2,235	2,207
¹⁾ Adjusted figures for 2006										
– of which, boardings on a typical weekday in increased traffic due to the congestion charging trial	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Total	–	22	10							
Passenger km, by transport type (millions)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Underground	1,690	1,657	1,541	1,556	1,558	1,578	1,581	1,588	1,526	1,505
Commuter train	1,177	1,147	1,114	1,103	1,127	1,146	1,140	1,093	1,164	1,112
Local train	240	225	218	214	205	197	201	189	176	168
Bus	1,654	1,639	1,534	1,516	1,525	1,509	1,494	1,499	1,479	1,466
Total	4,761	4,668	4,407	4,389	4,415	4,430	4,416	4,369	4,345	4,251

For definitions, see page 65.

Punctuality (% of departures on time)³⁾	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Underground total	92.7	91.0	93.1	92.8	91.2					
Green line	91.6	87.8	89.9	89.5	87.6	87.2	84.6	81.3	79.5	80.9
Red line	93.0	92.9	95.1	94.9	92.7	90.9	92.0	95.5	95.7	95.6
Blue line	95.4	95.9	97.4	97.7	98.5	98.8	97.3	98.0	94.9	96.2
Commuter train	84.5	81.1	83.3	86.4	87.3	85.7	83.2	74.8	87.8	89.5
– excl. disruptions	95.4	94.3	94.6	94.5	95.9	96.1	95.0	¹⁾	¹⁾	¹⁾
Roslagen line	92.9	93.5	93.9	94.7	93.9	92.7	89.5	93.4	95.7	95.8
Lidingö line	95.2	95.0	96.1	96.1	96.9	97.1	97.9	²⁾	99.3	99.1
Light Rail line	95.2	97.7	98.2	98.4	96.1	96.6	99.3	²⁾	99.2	
Nockeby line	98.6	99.1	98.2	98.7	98.7	98.2	98.6	²⁾		
Saltsjö line	94.1	94.1	92.1	95.0	94.6	92.9	94.7	²⁾	98.5	98.4
Bus	91.2	91.5	91.9	91.4	91.4	90.6				
<i>Of which</i>										
northern region	95.3	95.9	96.4	95.8	96.0	95.9	95.3	97.0	97.1	97.0
central region	88.5	88.6	89.3	88.8	88.7	87.8	85.5	86.0	87.8	87.0
– of which, inner-city	83.7	84.3	84.8	83.7	84.1	82.8	79.9	80.0	82.1	78.0
southern region	95.7	95.5	96.1	96.1	96.4	96.0	96.2	97.0	95.9	96.0

1) The share of approved departures (at most 3 minutes behind and 1 minute ahead of the timetable) of total scheduled departures.

2) Disruptions caused by Banverket's infrastructure, accidents, sabotage, etc., have been omitted.

3) Punctuality calculated according to the punctuality agreement for each respective line.

Cancelled departures (% of scheduled)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Underground total	1.0	2.0	2.2	0.7	0.7					
Green line	0.4	1.3	2.4	0.8	0.8	0.7	0.5	0.6	2.1	1.5
Red line	1.3	3.3	3.0	0.8	0.8	1.2	0.8	0.5	0.7	0.5
Blue line	1.3	1.3	0.8	0.5	0.4	0.4	0.5	0.5	0.5	0.3
Commuter train	2.3	2.7	1.7	1.4	1.1	1.7	1.6	13.0	0.7	0.2
Roslagen line	1.4	0.7	0.6	0.6	0.6	1.9	3.5	0.8	0.4	0.2
Lidingö line	1.1	1.1	0.9	0.4	0.1	0.3	0.1	0.1	0.1	1.0
Light Rail line	1.4	1.0	0.5	0.1	0.4	0.2	0.0			
Nockeby line	0.5	0.2	0.5	0.2	0.1	0.2	0.1	0.6	0.4	1.0
Saltsjö line	0.3	0.6	2.2	0.3	0.2	0.2	0.1	3.6	0.0	1.0
Bus	0.3	0.4	0.3	0.2	0.2					
<i>Of which</i>										
northern region	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2
central region	0.5	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.4	1.0
– of which, inner-city	0.8	0.7	0.4	0.3	0.3	0.4	0.4	0.3	0.4	
southern region	0.2	0.4	0.2	0.1	0.1	0.4	0.1	0.1	0.1	

Traffic delays (more than 10 minutes)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Underground										
Green line	152	226	201	281	325	362	395	372	453	398
Red line	140	199	231	282	339	369	305	265	227	272
Blue line	65	90	93	84	98	67	89	56	39	31
Total	357	515	525	647	762	798	789	693	719	701

Share of satisfied customers and county residents (%)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Share of satisfied customers (SL onboard)	69 ⁴⁾	64 ²⁾	64 ²⁾	66 ²⁾	64 ²⁾	61 ²⁾	59 ²⁾	56 ²⁾		69 ³⁾
Share of dissatisfied customers (SL onboard)	13 ⁴⁾	15 ²⁾	15 ²⁾	13 ²⁾	15 ²⁾	17 ²⁾	19 ²⁾			
Share of satisfied customers (SLTF) ³⁾	62	61	62	58	58	53	55			
Share of dissatisfied customers (SLTF) ³⁾	9	9	8	9	8	12	10			
Share of satisfied county residents (SLTF) ³⁾	55	55	56	51	53	49	52	46		
Share of dissatisfied county residents (SLTF) ³⁾	11	11	10	11	11	10	14	11		

1) Not comparable due to different measurement method.

2) Refers to the autumn survey in October.

3) Refers to the average for the year. No survey is conducted in July and December.

4) Refers to the autumn results.

PRODUCTION	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Seat km, by transport type (millions)										
Underground	4,390	4,502	4,258	4,304	4,253	4,270	4,236	4,168	4,209	4,110
Commuter train	4,504	4,620	4,270	4,208	4,033	3,921	3,442	3,310	3,491	3,465
Local train	938	941	917	840	882	815	830	747	717	703
Bus	5,336	5,723	5,614	5,503	5,525	5,651	5,493	5,407	5,088	5,182
Total	15,168	15,786	15,059	14,855	14,693	14,657	14,001	13,632	13,505	13,460
- of which, in SL's increased traffic due to the congestion charging trial										
Underground		231	73							
Commuter train		376	140							
Local train		81	30							
Bus		380	131							
Total		1,068	374							

For definitions, see page 65.

Number of vehicles in SL's fleet, by transport type	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Transport vehicles at 31 December. The vehicles are owned by the SL Group, contractors or lessors.										
Underground carriages, older	264	264	277	277	302	415	543	685	759	873
Vagn 2000 ¹⁾	271	271	271	271	264	215	165	115	67	24
Commuter train carriages, older ²⁾	234	234	286	331 ³⁾	337 ²⁾	314	309	292	292	292
New commuter vehicles	58	38	11							
Suburban railway/light rail carriages	188	188	187	187	187	187	177	174	175	163
Buses	1,897 ⁴⁾	1,924	1,915	1,761	1,786	1,797	1,730	1,674	1,727	1,683
Total	2,912	2,919	2,947	2,827	2,876	2,928	2,924	2,940	3,020	3,035

¹⁾ One new Vagn 2000 corresponds to 2.67 older underground carriages. As of 2003, including one carriage of a new design. A full-length train consists of eight old carriages or three new Vagn 2000 carriages.

²⁾ The older commuter train carriages are coupled in pairs to train units or vehicles. A full-length train consists of eight old carriages or two new commuter vehicles.

³⁾ Including 45 German carriages coupled to 15 train units corresponding two new commuter trains. The carriages were used temporarily by SL.

⁴⁾ 390 ethanol buses, 51 biogas buses and 1,252 low floor buses.

FINANCES AND INVESTMENTS	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Ticket revenues, net expenses and operating subsidies in current prices (SEK M) ¹⁾										
Ticket revenues	4,476	4,049	4,084	3,818	3,329	3,405	3,227	2,907	2,574	2,574
Net expenses including profit	9,822	8,637	8,209	7,638	7,190	7,001	6,541	5,919	5,742	5,551
Operating subsidies, SLL	5,346	4,588	4,125	3,820	3,861	3,596	3,314	3,012	3,168	2,977

Ticket revenues, net expenses and operating subsidies per complete journey in 2007 prices (SEK M) ¹⁾	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Ticket revenues	4,476	4,139	4,232	3,972	3,478	3,627	3,510	3,240	2,897	2,909
Net expenses including profit	9,822	8,828	8,505	7,946	7,512	7,455	7,114	6,597	6,463	6,274
Operating subsidies, SLL	5,346	4,690	4,274	3,974	4,033	3,829	3,604	3,357	3,566	3,365

Ticket revenues, net expenses and operating subsidies per complete journey in 2007 prices (SEK) ¹⁾	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Ticket revenues	10.73	9.92	10.15	9.53	8.34	8.70	8.42	7.77	6.95	6.98
Net expenses including profit	23.55	21.17	20.40	19.06	18.01	17.88	17.06	15.82	15.50	15.05
Operating subsidies, SLL	12.82	11.25	10.25	9.53	9.67	9.18	8.64	8.05	8.55	8.07

¹⁾ Ticket revenues consist of traffic revenue from scheduled traffic, i.e. do not include revenue from airport buses or chartered services. Net expenses include all expenses less all income other than ticket revenues. The operating subsidies from SLL compensate SL for the portion of net expenses not covered by ticket revenues, known as "conditional contributions" until the end of 2002.

Operating subsidies per tax krona (SEK)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Of each taxable SEK 100, this amount goes to SL.										
Operating subsidies/tax krona	1.44	1.30	1.22	1.15	1.17	1.18	1.19	1.17	1.35	1.33

Tax funding ratio (%)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operating subsidies divided by the sum of operating subsidies, ticket revenues, advertising revenues and external rental revenues.										
Tax funding ratio	53.1	52.0	49.2	49.0	52.5	50.3	49.6	49.7	53.9	52.7

Gross expenditure in current prices (SEK M)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Until the end of 1999, consisting of investments in infrastructure. Infrastructure is defined as all joint equipment and facilities (tracks, depots, etc.) and rail-bound vehicles. Buses are not regarded as infrastructure.										
Gross expenditure	3,110	3,445	2,309	1,834	2,413	4,733	2,884	2,554	2,427	2,260

Ticket revenues per ticket type in current prices (SEK M)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Travel cards ¹⁾	2,500	2,401	2,502	2,347	2,078	2,131	2,027	1,803	1,602	1,611
Reduced fair tickets ²⁾	1,129	322	1,063	976	755	760	683	575	536	530
Cash tickets ³⁾	192	64	180	194	232	257	293	297	258	245
Other ticket types	654	1,262	339	301	264	257	224	232	178	188
Total	4,476	4,049	4,084	3,818	3,329	3,405	3,227	2,907	2,574	2,574

¹⁾ 30-day card, season card and annual card. VAT is included in the card price. VAT surcharge of 0% until year-end 1990, 25% in 1991, 18% in 1992, 21% from 1 January to 30 June 1993, 12% from 1 July to 31 December 2000 and 6% since 2001.

²⁾ Pre-paid slips/booklets.

³⁾ Zone tickets/coupons/single-fare tickets.

Price for travel card (SEK)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Season card until 1996, monthly card from 1997										
In current prices	620 ¹⁾	600	600	600	500	500	500	450	400	400
In 2007 prices	620	613	621	625	522	533	544	502	450	453
In 1971 prices	95	96	97	97	82	83	85	78	70	71

¹⁾ As of 1 April 2007

For definitions, see page 65.

SL's history

1835 First horse-drawn bus. **1877** Horse-drawn trams. **1887** Steam-driven tram. **1895** Electrification of the Roslagen suburban railway. **1899** First motor-driven buses. **1901** First electric tram line in Stockholm is inaugurated in Södermalm. Last steam-driven tram retired from service. **1907** First motor-driven sub-urban bus lines go into service. **1913** Inauguration of the first electric train on the Saltsjö suburban railway. **1922** First continuous tram lines cross Slussen. **1923** First inner-city buses taken into service. **1933** Inauguration of the first tunnel line between Slussen and Ringvägen, and later Skanstull, using standard trams. **1941** Stockholm's first overhead-wire electric bus is introduced on line 41. **1944** Decision by Stockholm City Council to build an underground system. **1950** The underground section between Slussen and Hökarängen is opened. Two years later, the section between Kungsgatan, today Hötorget, and Vällingby is opened. **1957** Inauguration of the connecting line between Slussen and Hötorget is opened. **1964** The overhead-wire buses are taken out of service. Opening of the underground line to Fruängen/Örnsberg. **1964** The Hörjel Agreement gives Stockholm County an integrated public transport system and commuter train service. **1967** SL is formed. Inner-city tram lines are taken out of service when Sweden adopts right-hand driving. **1968** Commuter train services opened using motor-powered coaches. **1971** Introduction of a period card for unlimited travel within Stockholm County, the 50 Card. **1973** Joint system for cash purchased and prepaid discount coupons. **1975** The underground line between T-Centralen – Hallonbergen – Hjulsta is opened. **1980** The first automatic barriers are introduced. **1983** The Sträng Agreement lays the foundation for expansion of rail capacity for commuter traffic and rebuilding of Stockholm Central and other commuter train stations. Battery-driven energy accumulator buses and methanol buses are tested. **1990** The first ethanol-driven buses go into operation in the inner-city. The SL model 90 is implemented, SL separates its buyer/production activities. The operating units are incorporated and prepared for competitive tendering. **1992** The Dennis Agreement allocates SEK 16 billion for investment in SL traffic and SEK 19 billion in the road network. **1993** The first competitively tendered traffic is started with Swebus at the wheel. SL Forum is introduced. **1994** The 100th underground station is inaugurated in Skarpnäck. **1995** Free-of-charge distribution of the Metro newspaper to SL's customers is started. **1997** Timetables for the bus lines are posted on the Internet. **1998** The new Vagn 2000 underground carriages are taken into service on the Green line. **1999** The Cross-City line between Gullmarsplan and Liljeholmen is completed. 60% of the shares in SL Buss and SL Tunnelbanan are sold. A contract is signed with Buslink for bus services in the inner-city, after which all transport services have been procured. **2002** The Cross-City line is extended to Sickla Udde. **2005** The new X60 commuter trains are introduced. **2006** SL participates in Stockholm's trial implementation of congestion charging. **2007** Approval granted for new rail investments.



Definitions

ATC

Automatic Train Control, a signal safety system for rail-bound traffic that regulates both speed and conformity with stop signals. The system automatically stops a train that overruns a stop signal or brakes a train that is driving faster than permitted.

ATO

Automatic Train Operation, a system for automated driver-supervised operation of rail-bound traffic.

Average number of employees

The total number of hours worked by all employees divided by normal working hours per employee.

Boardings

The number of times travellers board any SL vehicle.

City entrance points

Entrances to the inner-city.

Complete journey

A passenger journey from start to finish including transfers.

Congestion charge trial

In an attempt to reduce congestion and improve the environment, a full-scale trial was conducted in Stockholm that included the implementation of a congestion tax, expanded public transport services and more park and ride facilities near city access roads. The principal players involved were the City of Stockholm, SL and the Swedish Road Administration. The trial began on 22 August 2005, when public transport services were expanded, and ended on 31 July 2006. The congestion charge applied for seven months, between 3 January and 31 July 2006.

Passenger km

The number of paying passengers multiplied by the distance travelled by these passengers in kilometers.

Punctuality

The share of approved departures (at most 3 minutes behind and 1 minute ahead of the timetable) of total scheduled departures.

Satisfied customers

Monthly surveys conducted by SL through an onboard questionnaire to 4,600 customers each time. Satisfaction is measured on a scale of 1 to 7, where ratings of 5, 6 and 7 are regarded as satisfied.

Seat km or production

The number of available passenger seats multiplied by the distance travelled by the vehicle.

Tax funding ratio

Operating subsidies divided by the sum of operating subsidies, ticket revenues, advertising revenues and external rental revenues.



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