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SL in brief

AB Storstockholms Lokaltrafik 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. A total of 410 million journeys were made with SL during 2006, 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. Detailed planning and transport services are procured from various operators through competitive tendering. SL owns the infrastructure of the transport network, although many of the vehicles are leased. SL also owns, develops and manages the repair and maintenance depots. The track installations used by the Commuter trains are owned by the Swedish National Rail Administration (Banverket).

Key figures for 2006

- The number of weekday travellers rose by nearly 5% compared to 2005, while ticket revenues fell by 1% due to reduced fares.
- Total offered seat kilometres increased by 4.8%.
- Every weekday in 2006, an average of more than 670,000 people travelled with SL.
- SL's onboard survey showed that 64% of all SL travellers were satisfied with the transport services in October 2006, compared to 64% in October 2005.
- According to SLTF's public transport barometer, 55% of Stockholm County residents are satisfied with SL's services, compared to 56% in 2005.
- SL's website sl.se had an average of 75,800 visitors per day.

See definitions on page 57.

SL's finances in brief

Amounts in SEK M

	2006	2005
Operating income	11,182	10,257
Traffic operating expenses		
Underground	2,584	2,408
Bus	3,299	3,025
Commuter trains	1,249	1,101
Local trains	529	487
Profit for the year	-955	340
Profit for the year before exceptional items*	1	340
Tax funding ratio, %	52.0	49.2
Investments	3,445	2,309
Average number of employees	567	549

* See Note 6, page 39.



Highlights of 2006

January

→ Launch of Mobil.sl.se, a mobile WAP service that contains a travel planner and provides real time traffic information.

→ A congestion charging trial is started on 3 January to run until 31 July 2006. Since August 2005, SL has increased its bus services, for example with direct buses from suburban areas to central Stockholm. The increased bus traffic will continue through the end of the year.



→ New park-and-ride site opened in Sickla with 100 free spaces in an indoor car park south of Nacka station.

→ A pink puddle of fibreglass-reinforced plastic is stolen from an exhibit at the Stockholm City Museum and is later found on the platform of the Vällingby Underground station.



→ Monday, 9 January, marks the opening of the new Årstaberg Commuter train station between Älvsjö and Stockholm South, thereby linking Commuter traffic to the Light rail and several local bus lines and creating new time-saving travel options for many who live and work south of the Södermalm district.

→ The technical causes of the fire in Rinkeby in May 2005 have now been identified. An action plan has been jointly formulated by SL, Veolia Transport and Tågä.

→ More people are travelling with SL. The number of travellers has increased by 40,000 compared with January 2005.

February

→ SL's operations are environmentally certified. The environmental goal for 2006 is to derive 75% of electrical and thermal energy in SL's facilities and 25% of bus fuel from renewable energy sources.

→ New direct buses are introduced between Gullmarsplan and Nynäshamn, between Upplands Väsby and Sergels Torg and between Salem and Fridhemsplan.

→ SL takes part in the public transport initiative "Värmdö Together".



March

→ SL buys an additional 16 new commuter trains. Of the total of 71 trains currently on order, 38 will be delivered by 31 December 2006.

→ The results of a study on the serious problems in Commuter train traffic are presented. Aside from an unusually cold and snowy winter, the main explanations are old trains and limited rail capacity.



→ The "Youth Dialogue" initiative is launched. The goal is to chart young people's attitudes about security in SL traffic.

April

→ SL hosts a seminar at Stockholm Motor Show 2006 in association with the City of Stockholm Traffic Committee. Companies are invited to receive advice on how they can reduce their travel costs.



→ Film retrospective. Monitors in the ticket hall at the Skanstull Underground station show six new – but old – art films made between 1924 and 1982.

→ The "Poetry in Motion" anthology is published in its third edition, containing a total of 147 poems that have been featured in the "Poetry in Motion" project during 1993–2006.

May

→ A flat fare is introduced on 1 May and the zoned system is removed. A single journey fare now costs SEK 20 or SEK 10. At the same time, the age limit for the youth discount is raised from 18 to 20 years.

→ The Fruängen section of the Underground's Red Line is closed for 15 weeks for total refurbishment with a focus on eco-adaptation. Both the tracks and stations are renovated. During the closure, rail traffic is replaced by buses departing with approximately the same frequency as the Underground. A large-scale information campaign is carried out.



June

→ The 7-day card is launched. For a price of SEK 220, travellers have access to unlimited travel in the SL network for one week.

→ SL decides to equip all buses with video surveillance cameras.

→ Stockholmståg takes over responsibility for operation of Commuter train traffic from Citypendeln.

→ Ongoing modernisation of the Roslagen suburban railway, to be followed by the Kårsta Line during the summer. The Hammarhöjden Underground station will also be renovated and given a new platform during the summer.

→ The large-scale cleanup in the Underground system continues. All 100 stations will be thoroughly cleaned during 2006 and 2007.



→ The Haninge Centrum Commuter train station changes name to Handen.

August

→ Key changes in the winter timetable include improved traffic in the Municipality of Ekerö and from Ingarö to Slussen.

→ Quickmaten, an automatic ticket vending machine where users can buy SL cards and load their mobile phones, is tested at five locations. Later in the year, SL decides to increase the number of machines to 100 throughout the county.

→ Zones for mobile phone usage are introduced in SL traffic.



→ Upptåget is a collaborative effort with Upplands Lokaltrafik that makes it possible to change trains in Upplands Väsby for onward journey to Arlanda, Uppsala and Gävle by paying an additional fare to the regular SL ticket.

→ SL suffers extensive copper thefts during the summer and autumn, leading to disruptions in transport services.



→ Installation of the first card-readers for SL's new SL Access payment system is started at the Underground stations along the Red Line.

September

→ Safety representatives from the Swedish Municipal Workers' Union call for a stop to cash handling on the county's buses due to the risk for robbery. Later in the year, the Swedish Work Environment Authority forbids cash handling on buses with effect from 1 January 2007. The decision is appealed by Busslink, Veolia and Swe-bus to the Swedish Government, which decides to postpone the ban until 31 March 2007.



→ Ball pit at Odenplan. The art exhibit at the Odenplan station now contains a red ball pit – and beneath it something that is moving. Ulla Fredriksson's piece UNDER is on display until December.

October

→ SL begins making preparations for the upcoming leaf slippage season.

→ Readers of Mobil magazine choose SL as the winner of "Mobile Service of the Year" for its travel planner service mobil.sl.se.



→ A major rebuilding project is started at Stockholm Central Station, where one effect is that Commuter trains will periodically depart from different tracks than usual. Information activities are extensive.

November

→ The year's first icy conditions, with snow and strong winds, hit Stockholm on 1 November, causing major problems in SL's bus and Commuter train services. The Commuter train brakes freeze and many bus departures are cancelled due to insufficient anti-icing measures.

→ In 2006 SL invests in 123 new ethanol buses.



→ The sculpture "My Friend" is unveiled at the Norsborg Underground station. The sculpture creates optical effects when viewed from different angles.



→ Ticket agent of the year, Pressbyrån at the Kista Galleria, is congratulated by Jarl Klang and Helga Lindström from SL.

December

→ Sabotage against SL. Sharp barbed wire in the seats on buses and commuter trains injures travellers and damages their clothing.

→ SL wins award for "Innovative IT Project of the Year 2006" for its "Right Now" real time information system.

→ Ingemar Ziegler is appointed as Managing Director of SL with effect from 1 January 2007.

2006 marked by traveller record and demand for punctuality



Above all, SL's efforts in 2006 was largely shaped by the congestion charging trial in Stockholm and the many large and small measures taken by SL to improve punctuality in traffic. SL's fundamental objective is to keep traffic flowing smoothly and efficiently; i.e. to ensure that the Underground, buses, Commuter trains and local trains arrive as promised in the timetable, at the same time we never compromise on safety. We are also working to improve the level of perceived security in our traffic.

Improved punctuality

We are well aware that punctuality is the quality aspect that our travellers value most highly, and it has therefore been given top priority. However, I feel obliged to point out that it takes time to put new vehicles into service, to change behaviours and to make the necessary technical adjustments in an operation of SL's size that must function consistently every single day.

Several of the now completed improvements led to a temporary drop in punctuality during the implementation phase in 2006. When the large-scale technical inspection of our older underground carriages is completed and all new commuter trains are in service, this will have a positive impact on punctuality. In 2006 we also changed to a new

contractor for Commuter train traffic and established high quality requirements. Another bright spot is our excellent collaboration with the Swedish National Rail Administration, Banverket, which is responsible for tracks, switches and signals in commuter rail traffic and has undertaken modifications to improve accessibility.

A year marked by congestion charging trial

Stockholm's congestion charging trial had a major impact on SL during the year and, in preparation, we expanded our transport services by 7% already in the autumn of 2005. During the trial period from January to July 2006, the number of travellers rose by 6%, largely due to congestion charging. During the autumn, a record number of 690,000 travellers were recorded per weekday.

It is satisfying to note that many of the "new" travellers continued to use our services even after the congestion charging trial ended. A large share of the traffic reinforcements introduced during the trial period have remained in place to handle the continued increase in traveller volumes and prepare for the upcoming permanent implementation of congestion charging in the summer of 2007.

SL's increased traffic volume during 2006 was financed in full by the Swedish Government. When Stockholm's congestion charging is reintroduced

in the summer of 2007, this will strengthen the competitiveness of public transport. However, the Stockholm County Council has imposed the condition that the Government continues to provide compensation for the significant additional costs associated with increased traffic volumes.

Safety and security

We are maintaining our focus on safety and security, which are critical aspects of everything we do. When it comes to safety, we take a zero tolerance approach. But that is not enough. We also aim to increase the level of perceived security among travellers. Consequently, SL's Board has decided to invest considerable sums in video surveillance of stations and buses, security guards and more visible traffic personnel. Because clean and attractive facilities also contribute to perceived security, we are continuing with more frequent cleaning and renovation of station areas. It is also high time that we test new contractual and collaborative arrangements with transport contractors and make new investments to create more appealing station environments.

More buses with renewable fuel

In the environmental area, I am proud of SL's pioneering efforts in many respects. Among other things, SL has one of the world's largest fleets of ethanol buses and we aim to use the most energy-

efficient and eco-adapted buses possible. In 2006 we invested in 123 new ethanol buses, after which 25% of our total bus fleet runs on renewable fuel. Additional collaborative efforts with vehicle manufacturers have been initiated in 2007 for development of new eco-friendly technology.

My goal is for the people of Stockholm to love their SL.

Successful renovation with environmental consideration

For a period of 15 weeks last summer, SL carried out a total renovation of bridges, tracks, platforms and stations along the Liljeholmen–Fruängen section of the Underground. In stages, all traffic along the Line was replaced with buses. This was the first time that SL has chosen to pursue such extensive renovations in such a short span of time. If we had instead worked only at night according to the earlier model, the process would have taken 3–4 years. The trial provided valuable experience and surveys show that the travellers were highly satisfied with both the replacement traffic and the end results. We are planning a similar closure for total renovation of the Farsta Line in 2008.

2007 will be an exciting year

The coming year will be devoted to projects aimed at enhancing punctuality, safety and security. We will also improve traffic information to our travellers, particularly in the event of disruptions. The techno-

logy is already available, so our task now is to coordinate resources and train personnel to provide the information in a clear and correct manner. When traffic disruptions arise, knowledgeable and professional treatment becomes all the more important.

It should be easy to travel with SL. SL Access is our modern new payment system that is being successively installed for introduction at the end of the year. The system is based on smart cards that travellers can load with different types of tickets and fares, eliminating the need for discount coupons, cash coupons and magnetic strip cards. SL Access will simplify the payment process for both travellers and personnel.

Although SL has overall responsibility, the actual transport services we offer are provided by a number of contractors. We are also highly dependent on other parties, such as Banverket. In 2007 I will be devoting considerable attention to our collaboration with these and other stakeholders.

Another notable internal project is the deployment of a new management system with better scope to systematically set goals and evaluate our operations as a basis for deciding what action to take.

In summary, we will do our utmost to ensure that SL is permeated by our core values of reliability, simplicity and total responsibility to an even greater extent.

The future

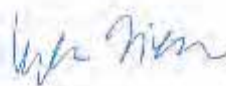
Investments in infrastructure are vital for the future, since Stockholm's growth and development are dependent on a well developed public transport system. The ongoing investments required in an expanding metropolitan area are vast and the underlying needs will not disappear – quite the opposite. One prime example is that all rail traffic pass-

ing through Stockholm is carried on a mere two tracks that were opened in 1871. Obviously, the available capacity is not sufficient and stoppages quickly lead to delays for both our travellers and other rail traffic through the city. The City Line, a commuter train tunnel under Stockholm, will hopefully provide a long-term solution to this problem. Other key initiatives include the Light Rail East, the station layout at Slussen, a solution for public transport to and from Nacka and Lidingö, and an underground connection to Norra station area and Karolinska University Hospital in Solna.

SL's large investment and maintenance needs naturally highlight the importance of our finances and capacity to fund both investments and day-to-day operations. New sources of revenue and financing must therefore be explored and tested. One such possibility lies in additional functions in the new payment system to be launched by SL at the end of 2007. Other opportunities are to better exploit the commercial assets in SL's properties and increase advertising revenue from SL's well exposed facilities and vehicles.

In conclusion I would like to thank everyone at SL who has worked with enthusiasm and dedication to further improve our transport services, whether the forces have been with us or against us. My vision and goal is for the people of Stockholm to love their SL. That is the driving force that inspires me and my employees.

Stockholm, March 2007



Ingemar Ziegler
Managing Director and CEO



Presenting SL

SL's vision

SL is the best choice for most people

SL brings people closer together and is a convenient way for everyone to get around Stockholm County. SL offers a wide and well coordinated network of fast, comfortable and safe connections in modern, pleasant and secure environments.

SL is one of Stockholm County's most attractive companies

SL is a modern, ethically aware and responsive company that serves as a driving force in issues related to public transport and continuously safeguards the interests of its travellers.

SL services are effective in every aspect

The collaboration between SL and its partners will be continuously developed. A well defined division of roles provides a platform for stimulating work with a focus on travellers. Regardless of their employer, everyone working in SL's transport services shares a common approach to the qualities that generate value for the travellers and help to create a more attractive Stockholm County.

Business idea

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 travellers for easy, reliable and reasonably priced travel. All journeys should be safe and secure.

SL contributes to equitable and sustainable long-term development of the region.

SL's core values

SL's core values stand for our commitment to the travellers, whose needs and expectations shape our services, communication and conduct. In this way, SL will secure a clear position in the consciousness of travellers.

The core values are:

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.

Operations

SL provides public transport services that are designed to meet travel needs in Stockholm County based on prioritisation of the transport types that are the most effective from a societal perspective.

SL has more than 700 employees whose tasks include overall planning and decision on the scope and quality of traffic, as well as purchasing, managing, developing and marketing 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 have been delegated to 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 Stor-stockholms 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 is created by 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. In order to communicate a coordinated public transport system and make the travel experience as simple as possible, a uniform graphic identity has been developed for SL and SL traffic.

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

- Define what SL and SL's transport services are and what they stand for.
- Make it easier for travellers to understand and use SL's transport services.



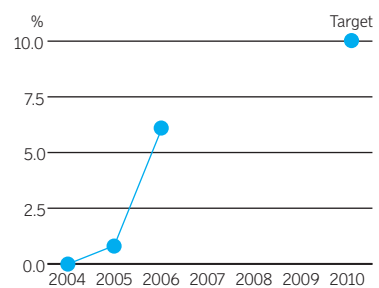
- Create an attractive and distinctive profile that strengthens the relationships with all external stakeholders.

SL's goals

SL's foremost goal is to increase the number and satisfaction of travellers, which will also contribute to a better environment, fewer accidents and positive regional development in Stockholm County.

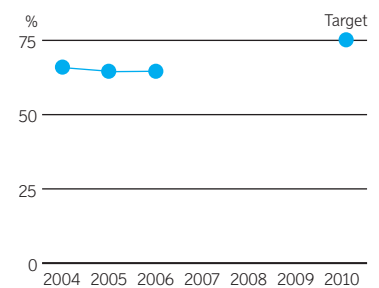
The goals set in 2004 are measured according to three parameters:

Number of passengers



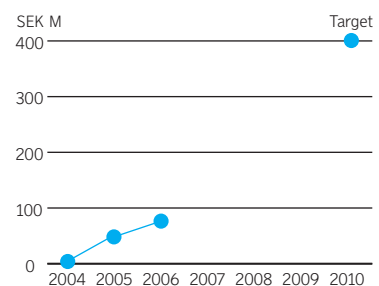
Boardings will be increased by 10% between 2004 and 2010, or by 150,000 journeys per day. At year-end 2006 the increase was 6.1%

Share of satisfied travellers



The share of satisfied travellers will reach 75% and the share of dissatisfied travellers will not exceed 10%. In October 2006 the share of satisfied travellers was 64%.

Increased revenues



By 2010, SL's revenues will be increased by SEK 400 million excluding the effects of changes in fares. New revenue can be generated by various add-on services, advertising, rents, etc. but also by an increased number of travellers who use, and pay for, transport services from SL. At year-end 2006, revenues had risen by SEK 75 million.

A typical weekday...

Every weekday, a total of more than 670,000 travellers travel with SL. A single person often makes several journeys per day by different modes of transport. The total number of boardings, i.e. segment journeys on a typical weekday is 2,383,000. A total of approximately 14,000 people work in SL's transport services.



Underground

1,071,000 boardings
 1,950 departures
 105 trains
 2,050 drivers and ticket booth personnel



Buses

968,000 boardings
 25,000 departures
 1,924 buses
 4,150 drivers



Commuter trains

230,000 boardings
 750 departures
 40 trains
 440 drivers, conductors and ticket booth personnel



Local trains

114,000 boardings
 1,000 departures
 53 trains
 320 drivers and conductors



Central services

172 Customer Service employees including ticket inspectors
 670,439 telephone calls to Customer Service



Ticket sales locations

142 Pressbyrå shops
 273 private agents
 49 Commuter train stations
 100 Underground stations
 7 SL Centers
 (571 total)



Internet and Travel Planner

On a typical winter day in December 2006, SL received an average of 75,000 visitors on its website sl.se and more than 2,000 visitors to its mobile service mobil.sl.se. On such a day, SL's Travel Planner answered 360,000 inquiries.



Station facilities

416 escalators/moving walkways
 374 lifts/elevators

SL's market is growing

Stockholm County has a population of approximately 1.9 million people, of whom around one half work for a living. As the number of residents in Stockholm rises by around 20,000 per year, new residential areas are being built and the inner-city is becoming more densely developed. The most significant growth in housing will take place in the north-eastern and southeastern areas. The volume of travel between the peripheral areas and inner-city will increase, as will the number of journeys between different parts of the county.

Stockholm needs an effective public transport system in order to function. More than half of all public transport journeys in Sweden are taken with SL.

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% ride 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%.

Of all journeys with SL, around half are taken within the inner-city and one third to or from the inner-

city. Residents of the inner-city and local suburbs account for the majority of journeys with SL. Women make up a somewhat higher share of SL travellers than men.

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 and maintain an 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 2006 the number of travellers per day increased by 5%. 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 and the level of employment. Decisions that had a marked impact on the number of travellers in 2006 were the congestion charging trial and the introduction of fringe benefit tax on previously free parking spaces provided by employers.

Stockholm's congestion charging trial led to more travellers

During the period of the congestion charging trial, from January to June 2006, the number of travel-

lers rose by around 6%, of which SL estimates that over 2% was due to the congestion charging trial and the increase in SL's transport services.

SL increased its traffic output by 7% starting on 22 August 2005. Rail traffic was expanded, rush hour traffic in the Underground was lengthened and new departures were added on both Commuter trains and local trains. In addition, 16 wholly new bus lines and increased departures on existing bus lines were added. 197 new buses were purchased, leading to a need for more depots and workshops. SL also built additional parking spaces at park-and-ride sites.

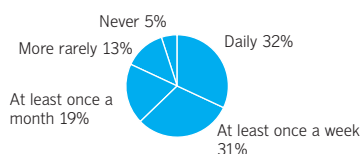
The new direct bus lines to and from the city centre were well received. A full 87 per cent of the travellers were satisfied and many continued to use the direct buses during the autumn. The increased traffic output was financed by the Government until 31 December 2006.

Accessibility for the disabled

There are approximately 200,000 inhabitants in Stockholm County with functional disabilities. About half of these have difficulty when travelling with public transport if adaptations are not made. 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.

SL makes continuous accessibility improvements in line with the adopted action plan for persons with disabilities. SL collaborates with various handicap organisations to prioritise the changes that are most urgent. The cooperation with the Department of Accessible Transport & Paratransit is being developed and strengthened. The system of

Frequency of travel with SL



New record in SL traffic during the autumn, 690,000 travellers per weekday.

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 stations, it is also possible to order a guide.

A number of accessibility improvements were made in 2006. By 2010 all stations will have an elevator. The purchase of low floor buses is continuing and at year-end 2006 a full 63% of SL's buses were of the low floor type. The number of stops and stations with tactile signs for the visually impaired was increased during the year and trials of raised platforms for indoor Underground stations are underway. The new commuter trains, with a floor at platform level, also offer greater ease of use for travellers with disabilities. At the Liljeholmen bus terminal SL is testing the viability of "talking monitors" to read departure times and tactile signs where the visually impaired can identify which bus stop they are at. Another prioritised area is to examine how information for the disabled can be improved at stations/stops and via www.sl.se.

Children and young people

Approximately one fourth of Stockholm County's inhabitants are under the age of 25. SL has been given a directive by the County Council to adapt its services to the needs of children. This initiative is based on the UN's Convention on the Right of the Child, which was referred to in SL's agreements with contractors during the year.

Young people have been a prioritised target group for SL for some time. Young travellers are frequent users of SL and to encourage their continued patronage it is vital to create a lasting positive relationship with this group. SL has 33 school representatives who visit all grade five classes throughout the county. For children up to the age of 13 years, SL also runs Friendship Clubs that host a large number of activities for their members. In 2007 SL will explore the opportunities to intensifying its dialogue with children and young people.

Children's travel habits have been charted and children will be given greater scope to influence SL's transport services. The "Youth Dialogue" project that was carried out in 2006 will contribute to the formulation of future security initiatives in SL traffic. Children and young people have also been given opportunities to provide input on the appearance and content of information displays and maps.

In the autumn of 2006, SL's employees attended a course on the UN's Convention on the Right of the Child in association with Save the Children. In the future, the training course will be offered to the other employees in SL traffic.

Trends of major significance for public transport in Stockholm County

Regional and population development

The population of Stockholm County is expected to increase by 7% during the period until 2010, or approximately 29,000 people per year. The importance of the Mälardalen region is also growing, which means that people are travelling more often and over greater distances.

Restrictions in private motoring

Fringe benefit tax on free parking spaces the trial implementation of congestion charging are two examples of attempts to restrict private motoring that are placing new and higher demands on SL.

New customer expectations for improved quality and flexibility

People expect a high level of quality from their travel. Surveys show that Swedes are among the most individualistic peoples of the world. Flexible and more individualised work patterns are making new demands on SL's offering.

An aging population

The number of pensioners is expected to increase by 13% over the next ten years, which will place higher demands on the accessibility of public transport for the elderly and functionally disabled.

Risk for a labour shortage

As those born in the 1940s retire from the labour market, a shortage of manpower may arise.

Environmental adaptation and alternative fuels

A rising need for public transport will also lead to increased environmental impact and a greater need for environmental adaptation. Furthermore, it will be increasingly vital to secure access to alternative fuels as oil grows more expensive.



Travellers voice their opinions

Listening and responding to traveller input is an effective means for improving traffic and related services, and for influencing public and traveller opinions of SL.

SL regularly conducts two types of surveys. In SLTF's public transport barometer, which is carried out ten times a year, the objective is to measure general trends and attitudes by interviewing around 500 people via telephone. The second survey is used to measure traveller opinions of the different transport types and is conducted via questionnaires that are handed out onboard the vehicles. As of autumn 2006, two such surveys had been carried out. Starting in November 2006 the survey will be administered monthly to 5,000 travellers.

SL also uses customer panels and focus groups to gather traveller opinions.

Punctuality is the key factor

In the autumn of 2006, 64% of travellers were satisfied and 15% were dissatisfied with SL, the same proportion as in the prior year's survey.

Punctuality is the factor with the greatest impact on satisfaction or dissatisfaction among SL's travellers. This applies to all traffic types.

Congestion

Many people also experience congestion as a source of irritation. 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.

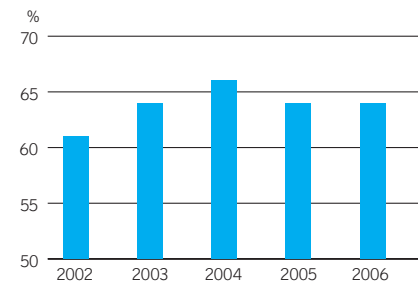
Information, treatment and cleaning

Information about traffic disruptions is important. In the event of delays, travellers should be informed so that they can decide whether to wait or choose another transport option. They should also be informed about the cause of disruptions. A number of projects are under way to improve the scope for providing real time information to the affected staff and directly to the travellers' own mobile phones, the Internet, etc. In 2007 all information boards in bus and rail traffic will be updated with better information, such as local area maps. It is important that travellers are also given information about connecting traffic.

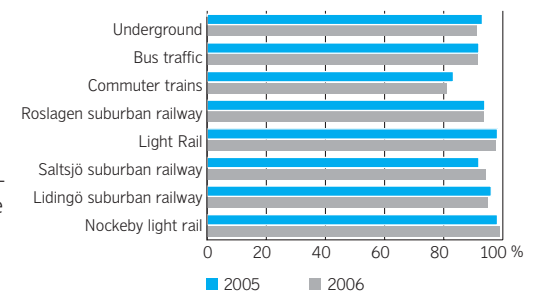
Treatment by staff

SL's target is for 80% of the travellers to be satisfied with their treatment by SL personnel. Today the figure is 64%. The highest satisfaction is reported for the local trains and buses, where travellers have direct contact with staff. In order to raise customer satisfaction with treatment, SL has formulated a customer service strategy that includes service and treatment training of all customer-related personnel.

Share of satisfied travellers



Actual punctuality in traffic



Targets and key measures for increasing traveller satisfaction

Underground

Perceived quality → 65% satisfied **Target 2010** → 75% satisfied

Most important to travellers → Punctuality
→ Congestion
→ Information about traffic disruptions

Most dissatisfied with → Congestion

Key measures in 2007

- More carriages in service after various technical modifications to increase safety.
- Continued modernisation of infrastructure, planning for renovation of the Farsta section in 2008.
- Further revision of timetables to find optimal solutions.
- Ongoing education of personnel for smoother driving, leading to less wear (and fewer carriages in the shop).
- Better utilisation of ATO (Automatic Train Operations) to improve punctuality.
- Trials use of personnel on platforms to prevent people from forcing open doors at stations with constant flow of travellers.
- Adjustment of platforms to achieve a better spread of travellers throughout the trains.
- Replacement of decals on and in all vehicles to make it easier for travellers to see what rules and regulations apply onboard the trains.
- Updating of content on all information boards so that travellers are provided with clear and uniform information.

Buses

Perceived quality → 70% satisfied **Target 2010** → 75% satisfied

Most important to travellers → Punctuality
→ Congestion
→ Bus driver drives safely

Most dissatisfied with → Information about traffic disruptions

Key measures in 2007

- The "Right Now" project (see page 24) has created technical scope to provide real time information via SMS on bus arrival times at each bus stop. The project will continue during 2007.
- Discussions with municipalities throughout the county to improve bus access, where possible, by adding additional bus lanes.
- Ongoing certification of bus drivers.
- Replacement of decals on and in all buses to make it easier for travellers to see what rules and regulations apply onboard the buses.
- Updating of content on all information boards so that travellers are provided with clear and uniform information.

Commuter trains

Perceived quality → 36% satisfied **Target 2010** → 70% satisfied

Most important to travellers → Punctuality
→ Information about traffic disruptions
→ Congestion

Most dissatisfied with → Punctuality, information about disruptions and congestion

Key measures in 2007

- The oldest commuter train carriages will be phased out and at the end of the year 90% of all departures will be trafficked by new X60 trains.
- In 2006 a new contracting agreement was signed with Stockholmståg containing a number of quality improvements, which should be visible in 2007.
- Cooperation with the National Rail Administration was improved in 2006 and Stockholm traffic has been given higher priority.
- Banverket's rebuilding at Tegelbacken completed, providing scope for higher capacity and improved punctuality.
- Work started on expansion of single to double track on certain sections of the railway to Nynäshamn.
- Direct buses to the inner-city from certain locations as an alternative to Commuter trains to decrease congestion.
- SMS service providing information on traffic disruptions for commuters from Nynäshamn and Gnesta.
- Co-location of public relations departments of Banverket and Stockholmståg.
- Replacement of decals on and in all vehicles to make it easier for travellers to see what rules and regulations apply onboard the Commuter trains.
- Updating of content on all information boards so that travellers are provided with clear and uniform information.

Local Trains

Perceived quality → 77% satisfied **Target 2010** → 90% satisfied

Most important to → Punctuality **Most dissatisfied with** → Information about traffic disruptions and congestion

Key measures in 2007

- A decision has been made to fast-track renovation of the Roslagen suburban railway, the local train with the least satisfied travellers.
- Decision on the future of the Saltsjö suburban railway, where the equipment is old and worn out.
- New carriages purchased for the Light Rail and Nockeby light rail, to be delivered during 2007/08.
- Replacement of decals on and in all vehicles to make it easier for travellers to see what rules and regulations apply onboard the trains.
- Increase in the number of information boards at all stations and renovation of the existing ones. All information boards will be updated with clear and uniform information.

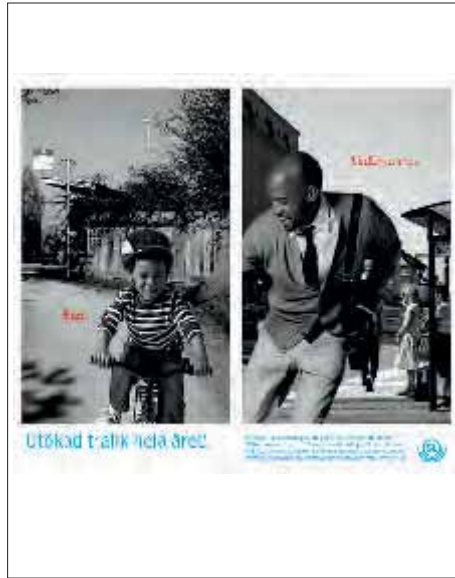
The right message through the right channels

SL continuously refines its market segmentation to ensure development of the service offering and the effectiveness of marketing initiatives in the targeted travellers groups. Sending the right message in the right channels is vital in order to communicate SL's services and mission in line with customer needs and expectations. Marketing should be high-impact, easy to understand and focused on travellers benefit. In 2006, major information campaigns were carried out in connection with the changeover to the flat fare system and increased traffic volumes during the Stockholm congestion charging trial.



Youth Dialogue

Campaign to chart young people's perceptions of safety and security in SL traffic.



Stockholm trial ended

Campaign to inform travellers that SL's increased transport services will continue.



Corporate card

The corporate card was launched to companies through a direct mail campaign.

Våra biogasbussar går på gazpacho, ugnstekt korv och lammfiol.

Själva gasen framställs nämligen på Henricksdals avlopprensingsverk, och råvaran är sådant som du och alla andra stockholmare spolat ner i toaletten.

SL och Stockholm Vatten fortsätter sin gemensamma miljöinsats genom att i dagarna låta ytterligare 20 biogasbussar rulla ut på Stockholms gator.

Biogastekniken omvandlar avfall till resurs och låter oss köra dig till jobbet, bion eller innebandyträningen utan att bidra till växthuseffekten.

Läs mer om biogasbussar på sl.se och www.stockholmvattnen.se

Biogas buses

Campaign to inform the public about biogas buses in association with Stockholm Water.

8 maj – 18 juni 2006 ändras hållplatslägena tillfälligt på bussterminalen på nedre planet på denna station.

Under perioden är tunnelbanan avstängd för renovering på sträckan Fruängen – Liljeholmen. Tågtrafiken ersätts med bussar som avgår från bussterminalen.

Closure of the Fruängen section

Information in connection with closure of the Fruängen section of the Red Line for renovation.

Pristila för kort och Enkelbiljetter

Ny enhetssta från 1 maj 2006

Prisinformation

Kort	Nett pris (SEK)	Reducerat pris (SEK)
Årskort	6 250	1 850
Årskortsett	1 250	400
januari-april	2 750	1 000
maj-augusti	2 750	1 000
september-december	2 250	1 000
30-dagarskort	600	360
3-dagarskort/24 timmar	180	90
1-dagarskort/24 timmar	60	30
Förreskort	Vårterminen 2006	1 010
	Höstterminen 2006	1 110
Förreskort Plus	Vårterminen 2006	1 110
	Höstterminen 2006	1 210
Förreskort Plus	Höstterminen 2006	1 210
Förreskort	januari-april	600
	maj-augusti	600
	september-december	500
Sommardeckart		480

Enkelbiljetter

	28	10
Enkelbiljetten	180	90
Förskott Enkelbiljetten	180	90

Priserna för de flesta kort gäller från 1 mars 2006 och för Enkelbiljetter från 1 mars 2006 och till vidare förändring. Tillägg för resor över längdgränsen till och från Södra eller Gröndal.

Samtliga SL-priser inkluderar 6% moms. Med reservation för prisändringar.

Vid färdig tar du 30 sekunder för priset av 9.

Flat fare

Large-scale information campaign carried out in connection with transition to the flat fare system.

Focus on safety and security

Safety and security are critical aspects of SL's transport services that may never be jeopardised. Perceived security is a combination of freedom from accidents, threats, violence and the effects of graffiti and other forms of vandalism.

Many travellers feel insecure when using public transport, especially in the evening and on weekend nights. SL's goal is for the travellers to feel safe and see SL as a secure alternative. Insecure environments will be eliminated as far as possible and the traffic personnel will be more visible to travellers, since this contributes to a greater sense of security.

Traveller survey

SL's recurring traveller surveys include questions about perceived security. In the survey last autumn, 60% of the respondents stated that they feel safe when travelling alone on weekends and evenings. The lowest perceived security was reported on the Underground and Commuter trains, but was higher for the traffic types where personnel are present among the travellers. SL's female travellers reported the highest level of insecurity when travelling alone at night and on weekends.

Insecurity is greatest on the way to and from the stations. Only 29% of women feel safe travelling to and from Commuter train stations on evenings and nights. For that reason, one key step in enhancing security is to cooperate with the municipalities in creating safer walking paths with good lighting and clear visibility.

Security Center and security guards

In 2005 SL forged the security guards in the transport system into a single joint resource instead of each contractor using its own security services. This makes it possible to utilise the guards more effectively since there are often several contractors at major transport interchanges and stations.

At the same time, a joint Security Centre was set up to coordinate the transport personnel's contacts with security guards, the police, voluntary

youth support patrols, the Peaceful Street Project, Non-fighting Generation, etc. The Security Centre is also staffed with emergency response personnel. Travellers can reach the Security Centre by calling 600 10 00. The Security Centre handles some 2,000 cases per month.

Improve traveller environments

Cleaning, design, lighting, colours and artistic decoration are all important factors in creating a positive and secure travel experience. SL is participating in an international research project to study perceived security and station design throughout Europe. The aims are to learn more about traveller-perceived security and to find good ideas.

Cleaning, design, lighting, colours and artistic decoration are all important factors in creating a positive and secure travel experience.

The special security guard unit for property protection that was created to reduce graffiti and vandalism in Commuter trains and stations has now also been introduced in the Underground. The unit cooperates with the police and works unconventionally and flexibly, with excellent results, and the cost of graffiti cleanup on Commuter trains has decreased by more than 50%. The anti-vandalism database where SL gathers information and photo records is a valuable tool in this context.

The Underground police force was given greater resources during the year and SL was able to par-

tially solve the disorder problems at stations and on vehicles through effective collaboration with the local police and district councils.

Video surveillance cameras

In 2006 a decision was made to implement security surveillance at all Underground stations and large Commuter train stations, and installation is currently underway. The majority of travellers see camera surveillance as something positive. It contributes to a greater sense of security, discourages crime and can be used as evidence in criminal investigations. The cameras can also provide assistance and documentation if a station needs to be evacuated, to advise the travellers and emergency services. All new commuter and underground carriages will be equipped with cameras and a decision has been made to install security cameras on all buses.

The cameras in the Underground system will be equipped with track alarms. If an unauthorised person enters the track area, the Security Centre and respective traffic control staff will be immediately alerted. At night, the same "intelligent" video technology will be used to protect the stations and tracks. In connection with the installation of video surveillance, the stations will also be equipped with emergency telephones.

Fire safety

A decision has been made to implement a new fire alarm system in the Underground stations with electronic/chemical "noses" of the right sensitivity, to be installed during 2007/08. SL's systematic fire safety efforts have been intensified and traveller evacuation information has been reviewed. The project for installation of smoke barriers between the platforms and escalators at stations with a single entrance/exit has continued.

Copper theft

Copper theft was a serious problem in 2006, particularly during rebuilding of the Red Line and Roslagen suburban railway during the summer. Through decisive police action against fencers/buyers, these thefts were reduced in the second half of the year.



Innovative environmental work

A steadily expanding volume of transports is a growing environmental problem at both the global and local level. The public increasingly expects the players in the transport industry to take greater environmental consideration in their operations.

It is vital for SL to maintain a high profile in the environmental area, above all in the transition to more environmentally-adapted traffic. One of the strongest arguments in favour of public transport is that it is by far the most eco-efficient way to travel.

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 will make 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.

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.

Working methods

To facilitate systematic and structured environmental efforts, SL works according to an environmental management system that was certified to the international ISO 14001 standard in 2006. This means that SL's environmental work is expected to result in continuous improvements and reduced environmental impact.

Because SL is essentially a buyer 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. For example, half of SL's major contractors undergo an environmental audit every year.

Environmental goals

One of SL's environmental goals is to reduce emissions from bus traffic. In 2006 the goal was achieved for at least 25% of all buses in SL traffic to run on renewable fuels. The goal for 2011 is 50% and by 2025, at the latest, all of SL's bus traffic will run on renewable fuels. Read more about environmental projects in bus traffic on page 19.

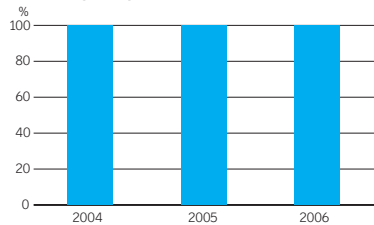
Furthermore, SL has set environmental goals in the areas of chemical usage, waste, noise, contaminated masses, materials in properties and energy usage.

Activities and results

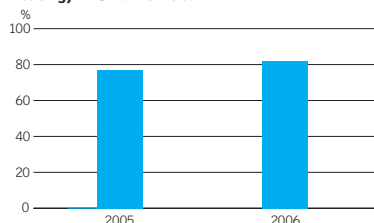
Environmental highlights of 2006:

- An additional 123 ethanol buses and 21 biogas buses have been ordered.
- At SL's initiative, an international collaborative project has been launched to create a functioning international market for ethanol buses. The participating cities include Madrid, Rotterdam, Nanyang and La Spezia. The project, known as BEST (BioEthanol for Sustainable Transport), receives funding from the EU.
- Air purifiers have been tested and a feasibility study was carried out on glass enclosure of existing subterranean Underground platforms in order to study the potential for reducing particle levels in these stations.
- Buses at all bus depots have been inspected with regard to noise performance and various methods have been tested for reducing high-frequency noise from rail traffic (focus on curve screech). Among other things, measures have been taken on the Roslagen suburban railway and the section between Östermalmstorg and T-Centralen.
- Inventory of contaminants on former SL sites that are no longer in use. Two contaminated sites have been identified where additional samples are being taken.
- An ongoing inventory of environmentally harmful materials in 50 typical properties, to be completed in March 2007.

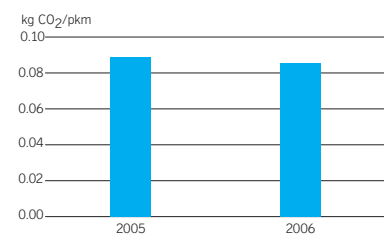
Share of electricity from renewable sources (hydro and wind power) in SL's rail traffic and facilities:



Share of eco-adapted energy (electricity and heating) in SL's facilities:

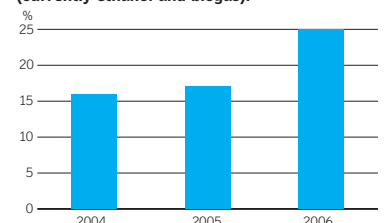


Average kg emissions of fossil carbon dioxide from SL's bus traffic per passenger km:



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

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



Tickets and other revenue

Ticket revenues in 2006 amounted to SEK 4,049 million, a decrease of SEK 35 million from the preceding year. Although traveller volumes are growing, the flat fare system resulted in lower revenue.

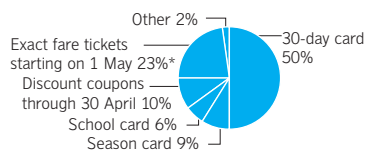
Ticket revenues, yearly comparison, SEK M

Ticket revenues in 2005	4,084
Increased traveller volume	+125
Flat fare starting on 1 May	-105
Age limit for youth discount raised from 18 to 20 years	-10
Increased fare dodging/lost revenue	-40
Redemption of old discount coupons	-9
Introduction of 7-day card on 1 June, net	+3
Other	+1
Ticket revenues in 2006	4,049

More travellers but lower revenue in 2006

The number of travellers rose by nearly 6% or SEK 23 million in 2006, which generated SEK 125 million in increased revenues during the year. On 1 May the zone system in SL traffic was removed and the price of single journey was reduced to SEK 20 for a standard fare and SEK 10 for a discount fare, regardless of the distance travelled and with a one-hour reboarding right. The age limit for the youth discount was raised from 18 to 20 years. The price of prepurchased single fare tickets was reduced to SEK 18 and SEK 9, respectively. The flat fare and higher age limit led to a decrease of SEK 115 million in SL's revenues.

Ticket revenues



* Of which, prepurchased single fare tickets

Fare dodging and lost revenue

In 2005 SL introduced attendants to assist travellers at entry barrier points and ensure correct passing of control points. Surveys show that public transport users welcome action against non-paying travellers and fare dodging has decreased over the past few years. However, in 2006 there was a rising share of travellers without valid tickets resulting mainly from a heavier workload at control points and increased cash handling on buses. For example, ticket booths have been unmanned during cashier changes.

End to cash sales on buses and local trains

The changeover to the flat fare system led to increased in cash handling. After a series of robberies against bus drivers during the autumn, safety representatives from the Swedish Municipal Workers' Union called for a stop to cash handling on buses and at the end of the year the Swedish

Work Environment Authority prohibited cash handling on buses with effect from 1 January 2007. The decision was appealed by Busslink, Veolia and Swebus to the Swedish Government, which decided to postpone the ban until 1 April 2007.

To make ticket purchases easier for travellers, the number of sales locations will be increased from around 400 to 700 and some 400 ticket vending machines will be installed at bus stops and local trains' stations.

As of 1 January 2007 it is also possible to buy SMS tickets for SL traffic. The same day, the price of single fare tickets purchased at control points or onboard buses and trains was doubled.

In January 2007, SL's new Board decided to reinstate the zone system for single fare tickets as of 1 April 2007. As in the earlier zone system, the minimum fare for a journey within a zone is two coupons. At the same time, the price of the standard 30-day card was raised by SEK 20 to SEK 620. A corresponding proportional price adjustment is being made for the other period cards.

New payment system based on smart cards – SL Access

At year-end 2007 SL will launch a new payment system, SL Access, that is based on smart cards that will replace both the current magnetic strip cards and paper tickets. The cards contain a programmable chip that can be loaded with different types of tickets and/or other offers and discounts. Travellers will be able to load their SL Access cards in traffic, at sales agents, in automatic vending machines and at SL Centers, but also at home via the Internet. It will also be possible to subscribe for tickets.

In August 2006 the first blue card readers were installed at a number of stations. Card readers for ticket control will also be installed on buses. On certain local trains, the conductors will have mobile equipment.

Advertising revenue

Focus groups confirm that travellers are in favour of advertising in the Underground and on buses. SL will therefore seek increased advertising space as a means for boosting revenue. In 2006 SL rented space at stations for various corporate events on a trial basis. For example, Tele2 offered travellers the opportunity to subscribe for mobile telephone services at a couple of Underground stations. Eight locations have been tested so far. The trials have been successful and SL is currently studying additional locations.

Plasma displays showing a mix of advertisements and information will be tested at a few stations during 2007. On 2 January 2007 the right to sell advertising space on SL's bus and train shelters was transferred to JC Decaux, which will also be

At year-end 2007
SL will launch a new
payment system,
SL Access.

responsible for care and maintenance. Advertising revenues in 2006 increased to SEK 108 million, up from SEK 97 million in 2005.

Rental revenues

SL's rental revenues fell during the year from SEK 324 million to SEK 319 million compared to 2005. SL's transport network includes more than 20 of Sweden's most heavily trafficked stations. These stations are waiting areas in central locations throughout Stockholm and could easily be transformed into attractive meetingplaces offering convenient services and amenities. By creating space for cafés, hair salons, public health clinics, hotels, etc. SL can make life easier for its travellers by providing more pleasant and secure environments. SL is currently conducting a feasibility study known as "Meetingplace SL" at a number of Underground stations.



The Underground is the hub

Every weekday, an average of 500,000 travellers make 1.1 journeys on the Underground from one of the 100 stations.

The Underground runs frequently; during the day-time the trains are never more than 10 minutes apart at the end of every line. In the inner-city, the trains run every 2 to 5 minutes on weekdays. In total, an average 40% of the seats in the Underground are used throughout the day.

Green Line

Eight of the ten 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 centre.

Quality

Punctuality in traffic declined to 91.0% (93.1% in 2005) during the year, mainly due to a shortage of carriages, see below. Perceived quality in the Underground is 65%, up from 62% for the same period of last year. The increase is most likely due to a

gradual improvement in the carriage shortage during the year. Because the Red and Green Lines have twice as many travellers as the Blue Line, SL has chosen to prioritise these Lines. This is also visible in travellers surveys, where the Blue Line has received lower ratings (-4%-points), while both the Green (+5%-points) and Red Lines (+2%-points) were given higher ratings than in 2005. However, punctuality is still best on the Blue Line, where 96% of all trains depart on time. The share of cancelled departures fell from 2.2% in 2005 to 2.0% in 2006.

Perceived quality in the Underground is 65%, up from 62% for the same period of last year.

Shortage of carriages

Many of the 140 carriages, equal to 17 entire trains of the type in which a fire broke out during 2005, were out of operation during much of 2006 while a number of technical modifications were made. This resulted in cancelled departures and shorter trains, which in turn led to increased crowding. Final adjustment of the carriages for

greater operating safety will be completed in 2007. After the arrival of ice at the end of October, SL once again suffered from a shortage of carriages. When slippery conditions arise there is a risk that the wheels will lock during braking, causing severe wear on the point of contact. When this occurs, the wheels must be repaired to restore their round shape. An entire 10% of the carriages were affected, which had a tangible impact on punctuality throughout November and into December. SL has launched a project to identify the most serious problems and seek technical solutions both on the tracks and the carriages, as well as increasing its driver training, to significantly reduce the number of damaged wheels.

Timetables

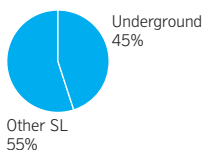
A development project is under way to review the timetables. The project is aimed at studying traffic flows, the required length of stop at different stations, etc. On a trial basis, four platform attendants have been placed at T-Centralen to assist in boarding and disembarking and ensure that the trains can depart on schedule. This will also be tested at other stations.

Another measure to promote punctuality on the Green Line is a new signalling system and the installation of ATO (Automatic Train Operation) on all underground trains.

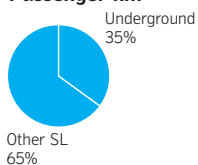
Congestion charging trial

The number of produced seat km rose by 5.7% compared with 2005. During the congestion charging trial, the number of travellers was up by 13%. A

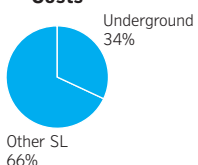
Boardings



Passenger km



Costs



certain increase in perceived crowding arose on the Red and Green Lines during morning rush hour.

Total renovation

During a 15-week period from May to August, the Liljeholmen–Fruängen section of the Red Line underwent total renovation. The section crosses nine bridges that have not been resurfaced since the Line was built 40 years ago. This is the first time SL has chosen to completely close off a section of the Underground for such an extended period. All five stations and all platforms were renovated and the tracks and switches were replaced along the 4.7 km Line. Four new backup generators were built and all electrical systems were replaced.

Renovation according to the traditional method of working during traffic-free time at night would allow around three hours of effective time per night, which means that the project would have taken several years. By closing off the section entirely, it was instead possible to work in two shifts from 6 a.m. to 10 p.m. daily. The section was trafficked by replacement buses during the renovation period. The result is a fully renovated Underground section at a significantly lower cost than with traditional methods. Furthermore, travellers on the section are satisfied with both the replacement traffic and the end results. SL is planning a similar total renovation on the Farsta section of the Green Line in 2008.

In 2006 a new water release system was installed at the sharp curve between Östermalmstorg and T-Centralen to dampen the noise level.

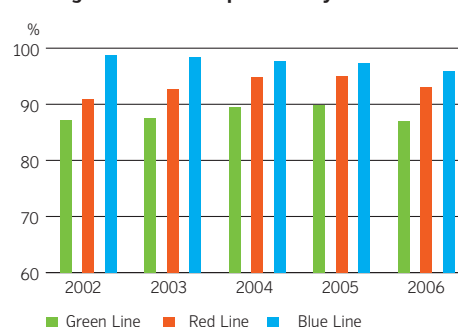
Security

On a typical weekday evening there are around 60 traffic attendants and security guards on duty in the Underground system. On weekend evenings, this number is raised to around 120 with a concentration at end stations and interchanges. During the year, a decision was made to equip all Underground stations with video surveillance cameras, read more on page 13. The previous problems with disorder on the Red Line have decreased markedly thanks to effective cooperation with the police and the affected district councils.

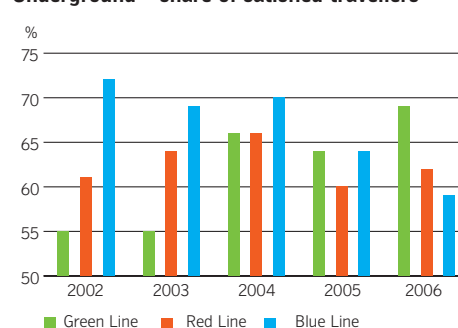
Stations and maintenance depots

The Underground stations are continuously refurbished according to a yearly prioritisation. The main objectives are to modernise, increase accessibility, improve information and secure revenue. In 2006, renovation of the northern entrance to T-Centralen was completed and Kista station was extensively refurbished. All Underground depots are also undergoing modernisation, a project that will be completed in 2008.

Underground – actual punctuality



Underground – share of satisfied travellers



Facts about the Underground

Number of stations	100
Number of new vehicles	271
Number of older vehicles	277
Total length	105.7 km
Number of maintenance depots	4
Most heavily trafficked stations, boardings per weekday	
T-Centralen	153,000
Slussen	73,000
Fridhemsplan	50,000
Gullmarsplan	32,000
Östermalmstorg	31,000
Hötorget	29,000

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

	2006	2005
Average boardings per weekday	1,071,000	1,016,000
Number of weekday travellers, change from previous year	+5.4 %	+/-0
Travellers, change from previous year	+7.6 %	+1%
Costs	SEK 2,584 M	SEK 2,408 M
Traffic output, change from previous year	+5.7 %	-1 %
Investments	SEK 684 M	SEK 390 M

	Green Line	Red Line	Blue Line
Year of opening	1950	1964	1975
Length of line	41.5	39.7	24.5
Number of stations	49	36	20
Number of journeys per weekday in 2006	500,000	400,000	200,000
Average length of journey	4.6 km	5.5 km	6.0 km

Buses – for flexibility

Buses are the most flexible of SL's transport types. Routes and stops can be quickly changed to adapt service coverage to new residential areas and workplaces. Every weekday, some 968,000 bus journeys are made in SL's network.

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. While the routes of the trunk routes are seldom changed, the local lines are continuously adapted to meet new travel needs.

Bus traffic is organised around the trunk network, the blue buses and rail traffic, which are complemented by the local red bus lines, rural lines and night buses. Where traveller volumes are high, the trunk routes are reinforced by direct buses with few stops to shorten travel times.

Travellers

In Stockholm, there are nearly as many people who travel by bus as the Underground. Just under a third, or 266,000, of all bus journeys on weekdays take place in the inner-city. In 2006 the number of bus travellers increased by almost 5% and the traffic volume by 2%.

Quality

Punctuality in bus traffic was 91.5% (91.9% in 2005). Punctuality is lowest in Stockholm's inner-city, where congestion is at its worst. During the congestion charging trial, punctuality improved on the direct bus

lines due to lighter traffic at the approaches to the city. Increased sales of cash coupons on the buses had a negative effect on punctuality.

Perceived quality has declined somewhat from 72% in the autumn of 2005 to 70% in 2006. The high share in autumn 2005 is probably explained by the introduction of new direct buses in preparation for increased traffic during the congestion charging trial. Travellers are least satisfied with information about traffic disruptions and most satisfied with treatment by personnel and cleaning.

To assist travellers and contribute to faster boarding and alighting, bus attendants have been placed at major stops in the inner-city such as Slussen, Hornstull and Odenplan, mainly during rush hour.

Congestion charging trial

In preparation for Stockholm's congestion charging trial, SL invested in a total of 197 new buses that went into service during the year on 18 new bus lines throughout the county and additional departures on 20 existing bus lines. Most of the buses were deployed already in August 2005, when SL began expanding its traffic volume. The new direct buses were well received; 87% of travellers were satisfied and only 4% dissatisfied. During the congestion charging trial, the number of bus travellers rose by 6% or 70,000 per day. The inner-city bus lines accounted for most of the increase.

Safety and security

The buses in Stockholm may not be more than 16 years old and the average age of the buses in any particular traffic area may not exceed 8 years. At

SL has one of the **world's** largest fleets of ethanol buses.

the end of 2005 around 100 SL buses were equipped with seat belts, which are already found on some the buses running to and from Norrtälje.

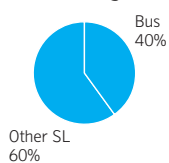
In 2006 SL decided to install video surveillance cameras on all buses. The County Council's decision to successively install alco-locks on all buses is another decision that will affect bus traffic in a longer perspective.

The new fare system that was introduced in May 2006 led to an increase in cash handling, which was a source of insecurity for many drivers. SL therefore decided to increase the number of security guards to enable faster response when needed. At the end of the year, the Swedish Work Environment Authority imposed a total ban on cash handling on buses with effect from 31 March 2007. Read more about the new fare system on page 15.

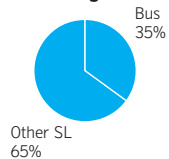
New communication systems

Improved communication and information for bus travellers remains a top priority. The BussKom radio system and BussPC have been installed on the

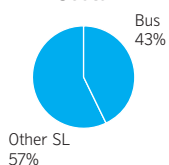
Boardings



Passenger km



Costs



buses to support the drivers. BussKom is an integrated communication system that allows bus drivers maintain constant radio contact with the traffic control centres. BussPC is a computer that contains all information about the bus, its route and its position via built-in GPS. Among other things, BussPC has made automatic bus stop displays and announcements possible. The next phase is to provide travellers with real time information, read more on page 24.

Renewable fuels

Bus services are a basic component of SL's operations, but have environmental disadvantages compared to rail traffic. It is therefore vital to make the buses as energy-efficient as possible. SL's goal is for half of the buses to run on renewable fuels by 2011 and all buses by 2025. SL has been working with alternative fuels for many years and has one of the world's largest fleets of ethanol buses.

A number of ethanol filling stations were set up at bus depots during the year, making it possible to extend the reach of ethanol buses into the local suburbs. At the end of 2003 SL signed an agreement with Stockholm Water for the supply of biogas from the Henriksdal wastewater treatment plant, and Trunk Route number 2 now runs exclusively on biogas. Discussions are also under way with other suppliers.

In 2006 the number of ethanol buses rose by 123. More biogas buses in inner-city Stockholm and ethanol buses in suburban traffic would offer considerable environmental benefits. Together with a number of bus operators, SL is taking part in an

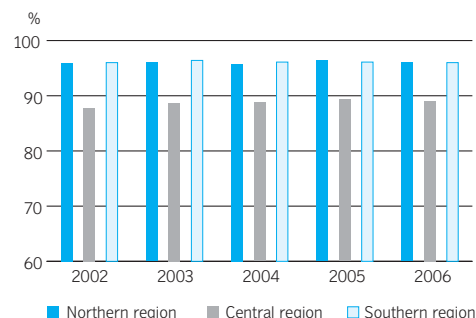
international consortium to purchase ethanol buses as a means for influencing both the price and technological development. Ethanol buses were previously used only in downtown areas, but the engine performance has gradually improved.

Terminals and depots

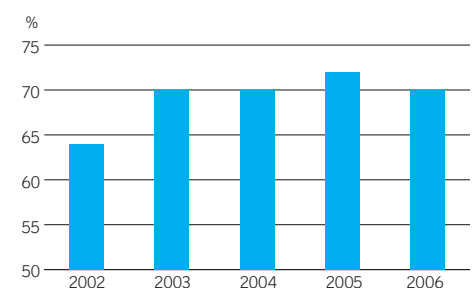
Well functioning terminals and depots with parking lots, bus wash units and workshops are of critical importance. The largest terminals are Stockholm East, Danderyd Hospital, Huddinge Centrum, Gullmarsplan and Slussen. Notable bus depots include the Råsta facility in Sundbyberg, which is one of the largest of its kind in Europe, as well as major facilities on Kungsholmen and Södermalm.

Several of the older terminals and depots are found on sites that are attractive for housing construction and discussions are being conducted with several municipalities for relocation. A decision has been made for a new depot in Lunda, Vällingby, to which bus traffic will be moved from Alvik. A new depot will also be built in Gubbängen for traffic south of the city. The construction of new terminals also offers scope to improve the facilities from an environmental standpoint.

Bus – actual punctuality



Bus – share of satisfied travellers



Facts about the buses

		2006	2005	
Number of bus lines	468	Average boardings per weekday	968,000	925,000
Number of vehicles	1,924	Number of weekday travellers, change from previous year	+4.6 %	1.2%
Of which, low floor buses	1,215	Travelling, change from previous year	+5.1 %	+/-0
Of which, buses that run on renewable fuels	409	Costs	SEK 3,299 M	SEK 3,025 M
Number of bus terminals	51	Traffic output, change from previous year	+1.9 %	+2 %
Number of maintenance depots	18	Investments	SEK 426 M	SEK 803 M

Boardings per weekday and area, thousands

Inner-city	266	Kallhäll (Järfälla, Upplands Bro)	37
Björknäs (Nacka, Värmdö)	77	Märsta (Sigtuna, Vallentuna, Upplands Väsby)	35
Botkyrka (Botkyrka, Huddinge)	75	Bromma	32
Söderort (Brännkyrka, Farsta, Hammarby)	74	Tyresö	32
Råsta (Sollentuna, Solna, Sundbyberg)	72	Lidingö	22
Norrort (Täby, Vaxholm, Åkersberga)	65	Ekerö	20
Handen (Handen, Nynäshamn)	60	Norrtälje (Hallstavik, Norrtälje, Rimbo)	18
Södertälje	38		

→ The contractors responsible for daily operation of bus traffic and vehicle maintenance are Busslink and Swebus.

Commuter trains – long distances fast

The Commuter trains provide those living in the northern and southern parts of the county with rapid transports to and from downtown Stockholm. Many of the Commuter train stations have more travellers per day than the central stations of other large Swedish cities.

The Commuter trains run from Bålsta and Märsta in the north to Södertälje, Gnesta and Nynäshamn in the south. The trains run every 15 minutes in most of the network during the daytime and more often during rush hour traffic, from 6 to 9 a.m. and 4 to 6 p.m.

Quality

Punctuality in traffic deteriorated during the year to 81.1% (83.3% in 2005). The number of cancelled departures rose from 1.7% in 2005 to 2.7%. Punctuality was lowest at the beginning of the year, when Stockholm was hit by a cold snap. Rebuilding of the southern approach to Stockholm, see below, also contributed to problems in traffic.

Perceived quality fell further and in autumn 2006 the share of satisfied travellers was 36%, compared with 42% in the same period of 2005. A full 39% were dissatisfied (32% in 2005), mainly due to poor punctuality and crowding. Travellers are also dissatisfied with information about traffic disruptions.

Congestion charging trial

The output of Commuter train traffic increased by 8.2% compared to 2005. Seven new departures were added in response to the Stockholm Trial. A cold snap in mid-January led to large-scale traffic

disturbances and such severe crowding at times that not all travellers could fit on the train. To provide relief SL introduced two new direct buses, one from Upplands Väsby and one from Salem/Tumba.

Punctuality improved through joint measures

The railway south of Stockholm Central is a major bottleneck that consists of only two tracks, the same number as when it was opened in 1871, that are now trafficked by more than 550 trains per day and are highly vulnerable to disruptions.

Punctuality in rail traffic as a whole has decreased and an investigation is being conducted in cooperation between SL, Banverket and SJ. During the year, Banverket decided to prioritise daily service on the most heavily trafficked sections and has therefore allocated extra resources for maintenance of tracks in Stockholm and the Mälardalen region.

Rebuilding for better punctuality

If built, the City Line will double the track capacity to and from Stockholm, read more on page 25. However, since the City Line is not due for completion until 2016 at the earliest, Banverket is working on a temporary solution to address what is an acute problem today. A number of switches have been moved southwards at Stockholm Central and connecting sections have been given a straighter alignment. In addition, the signalling system between Stockholm South and Stockholm Central is being rebuilt to allow the trains to drive closer together and faster over the Norrström Bridge. Work on the tracks and platforms is also under way at Stockholm Central. Rebuilding will be completed by the summer of 2007, after which capacity will be increased by six to eight departures per hour.

Initially, the increase will be used to improve punctuality.

Change of contractor

As from 16 June 2006, Stockholmståg AB is responsible for operation of Commuter train traffic and has in turn contracted EuroMaint for train maintenance and TrafficCare for station maintenance and train cleaning. The contract runs for five years with an option for a five-year extension.

To improve information about traffic disruptions, Stockholmståg's control centre has been co-located with Banverket's.

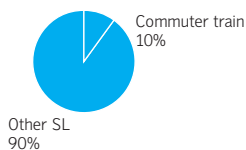
The new X60 commuter trains

In the autumn of 2005, the first carriages of the new X60 commuter train went into service on the Bålsta-Västerhaninge section. A total of 71 carriages have been ordered, of which 38 were delivered on 31 December 2006. The investment amounts to more than SEK 5 billion. The oldest commuter train carriages, which have been in service for nearly 40 years, will be phased out during 2007.

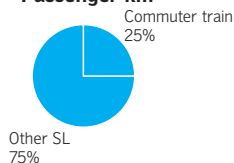
The new trains are articulated and 107 meters long, with an open floor plan throughout. The carriages have low-floor entrances at platform level in all door openings, and a push-out step in the first and last doors. Other advantages are a low noise level, air conditioning and individual seating. A survey at the end of 2005 showed that a full 92% of travellers were satisfied with the new trains.

The X60 is also significantly easier to maintain and functions better in winter conditions, since all technology is placed on the roof instead of under the

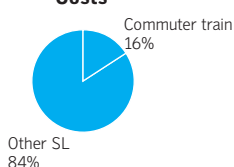
Boardings



Passenger km



Costs



carriages. The new train depot in Bro is functioning smoothly and the Älvsjö depot is currently being rebuilt. The possibility of a new depot in Södertälje is also being considered.

A survey at the end of December 2005 showed that a full **92%** of travellers were satisfied with the new trains.

At year-end, around half of the drivers were trained to operate the new trains. When all drivers have completed training, the level of flexibility will increase. By the end of 2007, the new X60 trains will account for 90% of all Commuter train traffic.

Safety and security

Traveller surveys have shown that 37% of women and 61% of men feel safe when using the Commuter trains in the evening and at night. To increase security at the stations, surveillance cameras will be installed at all major stations. The new trains are equipped with emergency telephones and security cameras.

Nynäshamn

Rail traffic between Västerhaninge and Nynäshamn has been plagued with problems caused mainly by the advanced age of the line, which has a single track and only two passing points. The platforms are also too short, which means that the carriages must be recoupled in Västerhaninge, leading to stoppages and delays that affect the entire traffic flow. SL has therefore decided to introduce a special train between Nynäshamn and Västerhaninge, the Nynäs Express, until the infrastructure has been modernised. As a result, travellers will be required to change trains but the problems on the Nynäs line will not be spread to the entire Commuter train network. This has led to an improved punctuality. Other measures include wind shelters with infra-heating on the platforms and the possibility to more quickly deploy replacement buses.

Banverket has decided to build a longer passing track along the line to Nynäshamn and to lengthen the platforms, which is scheduled for completion in August 2007.

New station opened at Årstaberget

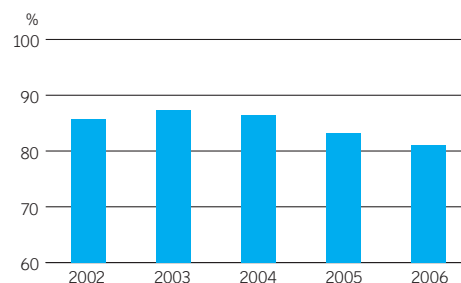
The Årstaberget Commuter train station was inaugurated in January 2006 and now serves as an interchange between Commuter train traffic, the Light rail and buses. Årstaberget is located between Stockholm South and Älvsjö. A new bus terminal has also been built in direct connection with the station.

Upptåget – a collaborative effort with Upplandstrafiken

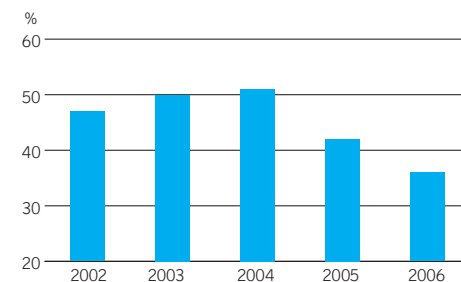
Since August 2006, SL is collaborating with Upplands Lokaltrafik (UL) in a whole new transport

concept. By changing trains in Upplands Väsby to Upplands Lokaltrafik, travellers can travel onward to Uppsala with a combined SL/UL ticket via stops like Arlanda and Knivsta. The arrangement is mainly intended to simplify commuter travel for people working at Arlanda and in Kista, two of the county's highest concentrations of workplaces.

Commuter trains – actual punctuality



Commuter trains – share of satisfied travellers



Facts about the Commuter trains

		2006	2005	
Number of stations	50	Average boardings per weekday	230,000	229,000
Number of new vehicles ¹⁾	38	Number of weekday travellers, change from previous year	+0.4	+1.8 %
Number of older vehicles ¹⁾	117	Traveller output, change from previous year	+1.6 %	+1.6 %
Total length of line	200 km	Costs	SEK 1,249 M	SEK 1,101 M
Number of maintenance depots	2	Traffic output, change from previous year	+8.2 %	+1.5 %
Most heavily trafficked stations, boardings per weekday		Investments	SEK 1,734 M	SEK 966 M
Stockholm Central	54,000			
Stockholm South	16,000			
Älvsjö	12,000			
Karlberg	11,000			
Jakobsberg	10,000			
Stockholm South/Flemingsberg	10,000			
Average length of journey	17.5 km			

→ The contractor responsible for daily operation of the Commuter trains is Stockholmståg as of 18 June 2006

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

Local trains with long and short histories

Stockholm County's northeastern municipalities can be reached with the Roslagen suburban railway. The Light Rail is a shortcut between the western and southern peripheries of the city that also connects to the Underground. The Nockeby light rail, Lidingö suburban railway and Saltsjö suburban railway are three lines with long histories.

Roslagen suburban railway

The Roslagen suburban railway has three branch lines that extend through several municipalities in southern Roslagen, and is unique in many ways. It is one of only a few remaining narrow gauge railways in Sweden and is the only one of those used for passenger traffic on a daily basis.

Extensive renovation work has been carried out in the past few years to modernise the more than 100-year-old local railway. Virtually everything has been, or will be replaced, allowing the trains to run more frequently and with greater punctuality. In 2006 the Visinge–Lindholmen section of the Kårsta branch was renovated. This work turned out to be more time-consuming than planned, since certain areas of the soil were weaker than anticipated and had to be reinforced.

During the year, SL's Board decided to accelerate the renovation so that it can be completed earlier:

Rydbo–Österskär in 2007, Universitetet–Ålkistan in 2008 and Galoppfältet–Rydbo in 2009. The rolling stock dates from the late 1980s and parts of the railway run straight through residential areas. To reduce noise levels for local residents, SL set up several noise barriers during the year and has experimented with noise absorbers on the wheels.

The Light Rail

The Light Rail was opened in January 2000 and was an immediate success. The addition of the new rail has also had a positive effect on development of the surrounding areas. The Light Rail runs in an arc around the city centre from Sickla Udde in the south via Gullmarsplan, Årsta, Liljeholmen and the Essinge-islands to Alvik in the west. The Light Rail shares a traffic control centre and depot with the Nockeby light rail. In 2006 SL decided to invest in new carriages for the Light Rail and the Nockeby light rail. The depot in Alvik will be enlarged and the bus depot in Alvik will be moved to Lunda in Vällingby.

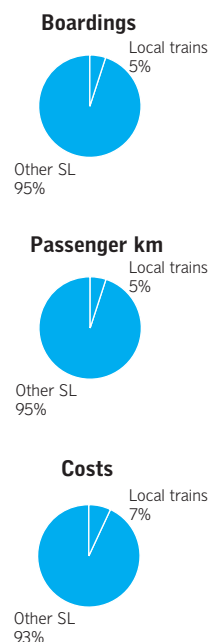
In August 2002, the Light Rail was extended from Gullmarsplan to Hammarby Sjöstad and the new end station at Sickla Udde. With the opening of the Årstaberget station in January 2006, travellers are now able to transfer to Commuter train services.

The Local trains have the highest share of satisfied travellers of all transport types in Stockholm.

There are plans to further extend the Light Rail in two stages, first from Alvik to Sundbyberg and Solna and later from Sickla Udde to Slussen, read more on page 25.

Nockeby light rail

The Nockeby light rail, affectionately known as “the twelve”, alongside the Lidingö suburban railway, is the smallest local train and runs between Alvik and Nockeby. It gives residents in parts of Bromma a connection to the Underground system and the Light Rail in Alvik.



An extensive refurbishment was carried out during 1997–98, when the Nockeby light rail was upgraded to the fast-track standard.

The Light Rail and Nockeby light rail are interconnected and the Light Rail's new carriages can also be used on the Nockeby light rail.

Saltsjö suburban railway

The Saltsjö suburban railway runs from Slussen in central Stockholm to Saltsjöbaden and Solsidan to the east. The railway, consisting of a single track that is serviced by specially modified underground carriages, was built as part of the development of Saltsjöbaden into a residential community in 1893.

The railway was renovated in 1976, but high age and wear are currently leading to technical difficulties and traffic problems. Various proposals for renewal of the railway are under discussion and a decision on the railway's future will be made in 2007.

Lidingö suburban railway

The Lidingö suburban railway from 1914 provides the residents of Lidingö, east of Stockholm, with a rail connection to the Underground. From Gåshaga Brygga the railway runs to Ropsten along the southern part of the island. The Lidingö suburban

railway is serviced by light rail carriages from the 1940s.

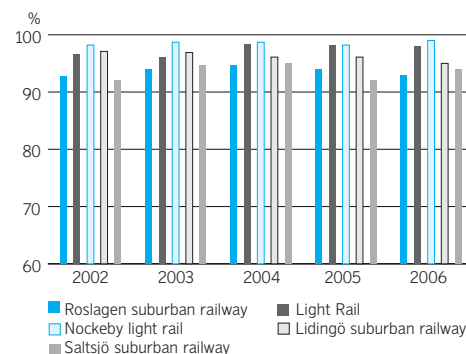
In the spring of 2001, the Lidingö suburban railway was extended to the new residential area at Gåshaga Brygga. From the station at Gåshaga Brygga, the trains connect to the Vaxholm ferries. The age of the vehicles is leading technical difficulties and subsequent problems with continuity and punctuality. A decision on the future of the railway must be made in the next few years.

Quality

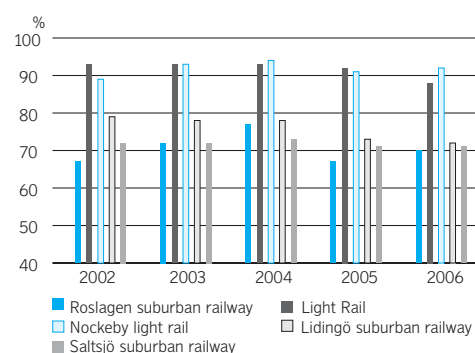
Punctuality varies between the different local train. Since the lines are relatively short and not dependent on other traffic, punctuality is generally good with the highest level on the Nockeby light rail, at 99%, and the Light Rail, at 98%. These also have the most satisfied travellers. In the autumn of 2006, 92% of travellers on the Nockeby light rail 88% on the Light Rail were satisfied with the service.

The local train have the highest share of satisfied travellers of all transport types in Stockholm. The autumn survey showed that an average of 77% were satisfied and only 8% dissatisfied. The Roslagen suburban railway has the lowest share of satisfied travellers, at 70%.

Local trains – actual punctuality



Local trains – share of satisfied travellers



Facts about the Local trains

	2006	2005
Average boardings per weekday	114,000	107,000
Number of weekday travellers, change from previous year	+6.5 %	+2.9 %
Travelling, change from previous year	+6.7 %	+3.4 %
Costs	SEK 529 M	SEK 587 M
Traffic output, change from previous year	+2.3 %	+2.7 %
Investments	SEK 283 M	SEK 150 M

	Roslagen suburban railway	Light Rail	Nockeby light rail	Saltsjö suburban railway	Lidingö suburban railway
Number of stations/stops	39	17	10	18	14
Number of vehicles	101	22 ¹⁾	15 ²⁾	30	20 ²⁾
Total length of line	65	11.5	5.6	18.6	9.2
Contractor	Roslagståg	Veolia	Veolia	Veolia	Veolia
Main interchange to the Underground	Tekniska Högskolan	Gullmarsplan	Alvik	Slussen	Ropsten
Average boardings per weekday at above interchange	10,000	7,000	8,000	6,000	3,000
Average length of journey	12.9 km	3.3 km	3.2 km	7.2 km	4.4 km

1) Also used on the Nockeby light rail 2) Older light rail carriages

Improvements in traffic information

Up-to-date and customer-adapted traffic information is essential for effective travel, traveller satisfaction and perceived security. SL's customers should therefore have access to relevant traffic information, regardless of time and place. The message should be formulated from a customer perspective and meet the individual needs and abilities of different target groups. Traffic information should be uniform, easy to understand and easy to use.

One concrete improvement that was started in 2006 and will be completed in 2007 is the renewal of all information boards at stations and bus stops. The information boards will be given a uniform content and updated maps showing the entire rail system and trunk route network. The decals on all vehicles will be replaced to make it easier for travellers to see what rules and regulations apply on-board the trains. Routines for updating of information boards and maps are being looked over to ensure that travellers are provided with clear and uniform information.

Travel planner at sl.se

The travel planner on SL's website set new visitor and usage records in 2006, answering an average of 340,000 travel queries per day.

The next step is to incorporate real time information into the travel planner, rather than the current data based on the timetable. 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 height in different vehicles.

The travel planner enables users to store their own "travel planner". Through collaboration with Vårdguiden, people seeking healthcare via www.vardguiden.se can quickly find the best travel route with SL.

Mobil.sl.se

In January 2006 SL launched a new mobile website with the upgrades that were made in the travel planner during 2005, i.e. complete map and address data for the entire county where it is possible to seek the optimal route and travel time from one address to another, and not only between stations or stops. It also contains a map showing directions to and from stations or stops, and allows the users to choose how far they are prepared to walk.

My SL.se for a smarter journey

In 2007 SL will launch the new personal service My SL.se, providing opportunity for personal services over the Internet or a mobile phone. At the same time, SL will gain a customer database and a targeted news channel. The main advantages will be available when SL Access is introduced during 2007.

In January 2006 SL
launched the new
mobile website
Mobil.sl.se

Joint 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. The system will be successively deployed during 2007 and will be a valuable tool in providing information to travellers. The system is based on satellite communication, allowing traffic control to track the exact location of each vehicle. For example, a bus driver can be forewarned about traffic congestion and other disruptions.

Several new functions can be developed based on this system. For example, travellers will be able to send a bus number and stop via SMS and receive

information about when the next bus is due to arrive. The Commuter train system will also benefit from access to better and clearer real time information about delays.

Customer Service

SL Customer Service deals with customer queries via 600 10 00, sl.se and regular mail. SL 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 on sl.se.

During the year SL Customer Service was given responsibility for ticket control, which was previously handled by Veolia Transport and Citypendeln. At the end of 2006 SL Customer Service had a total of 172 employees, of which 76 were ticket inspectors. Customer Service answered 670,439 telephone calls and 37,315 e-mails and processed 39,318 travel guarantee claims during the year. The increase in travel guarantee claims from SEK 5.6 million in 2005 to SEK 9.7 million in 2006 can be essentially blamed on the effects of harsh winter conditions in Stockholm traffic. After a mild start to the year, the snow and cold arrived in March and affected virtually all parts of the public transport system. On 1 November SL's travellers were hit by unexpectedly heavy snowfall that also caused problems in traffic.



Visions for the traffic of the future

SL continuously adapts its transport services to the needs of travellers. In order to effectively meet tomorrow's transport needs, SL must have visions about the traffic of the future.

Transport needs are monitored through forecasts on population growth in different parts of the county and data on the location of new housing and workplaces. Every year, SL conducts a review with each municipality in Stockholm County to map out the existing needs. Needs and resources are continuously matched and prioritised on the basis of future expectations. Capacity in the existing transport network and any potential shortcomings in the system, such as long walking distances, are also weighed in.

SL's task is to allocate resources where they provide the greatest benefits to society.

The Stockholm region is growing steadily, the needs are urgent and SL's task is to allocate resources where they provide the greatest benefits to society. In other words, where the most travellers gain the greatest improvement in relation to the amount of money invested. Every year, the Board of SL looks over the traffic plan/vision for which SL continuously plans and seeks financing.

The level of investment is high and the projects are normally financed by the Stockholm County Council, government grants, municipalities, Banverket and/or EU grants. Expansion of rail traffic can receive 50% funding from the Government.

The City Line – a long-term solution to the rail bottleneck

The southern approach to Stockholm Central, which is trafficked by some 550 trains every day, has only two tracks, the same number as when the section was opened in 1871. During rush hour traffic, Commuter trains and regional transports compete with freight carriers and long-distance transports on the same track. This lack of capacity creates a major risk for disruptions that are spread throughout Sweden, since Stockholm Central is the country's main railway hub. The City Line is an approximately 6 km railway tunnel that is being planned by Banverket between the Commuter train station at Stockholm South and Tomtebodavägen. The City Line will double rail capacity through central Stockholm and provide opportunity for more frequent departures and better punctuality.

The City Line's two subterranean stations will serve as vital transport hubs. One of the planned stations will be located in the city centre beneath T-Centralen and the second will replace the station at Karlberg and will be built below the Odenplan Underground station.

A representative has been commissioned by the Swedish Government to negotiate co-financing with local and regional players in the Mälardalen region and Östergötland. The Government will then pass a decision on continuation of the project. The City Line is scheduled for completion in 2013–2016.

Other major investments being studied by SL

→ **Light Rail/Saltsjöbaden** – Light Rail East is an extension of the Light Rail through Sickla and Hammarby Sjöstad to Slussen. Parallel to this, SL is considering a conversion of the Saltsjö suburban railway to light rail for integration with the Light Rail. Due to its high age and wear, the Saltsjö suburban railway has limitations in frequency of services. A decision of the Saltsjö suburban railway's future will be made during 2007.

→ **New Slussen and possible underground to Nacka** – In connection with rebuilding of Slussen it is recommended that the bus terminal also be redesigned, for which a decision will be made in 2007. Like the motorway to Nacka, the Slussen interchange is nearing maximum capacity and one possible solution is to extend the Underground to Nacka. The proposal under consideration is an extension of the Blue Line from Kungsträdgården to Nacka. A conceptual study will be completed in 2007 for possible decision to move forward with formal planning.

→ **Underground between Odenplan and Karolinska Hospital** – When the plans to build new housing in the Station North area are realised, this will increase the need for local connections to the public transport system. An Underground line from Odenplan would also provide better access to Karolinska Hospital. A conceptual study will be presented in 2007.

→ **Future public transport to and from Lidingö** – Within a few years, a decision will be made regarding development of the Lidingö suburban railway. Various alternatives are being studied.



Dedicated employees make the difference

During 2006 a targeted initiative was launched to clarify, concretise and implement SL's strategic platform and values.

SL's managers have been provided with training to increase their understanding of values and value-driven leadership. Late last autumn, an effort was made to take the step from words to action. The managers have now progressed to discussion of SL's values with their employees – what they mean, how they relate to day-to-day activities and what each unit/employee must do to reinforce them.

SL's guiding principles

Cooperation, responsibility, trust and commitment are the guiding principles for everyone working at SL and in SL traffic.

Employee strategies

→ Secure the right competence – goal-oriented skills development and forward-looking recruitment 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.

Employee survey

In the yearly employee survey, the Satisfied Employee Index rose from 63% in 2005 to 65% in 2006. The sharpest increases were noted for Skills Development and Performance Reviews. 85% of the employees took part in the survey. Managers were then instructed to study the results of the survey and formulate an action plan. The development measures described in these action plans are concentrated in the areas of administrative efficiency, leadership, coordination and employee de-

velopment. A joint employee survey for Stockholm County was also conducted during the year.

Sickness absence and fitness

Sickness absence increased somewhat during the year and reached 6.0% (5.4% in 2005). The Personnel Department helps to initiate, and participates in, any employee rehabilitation plans.

To help prevent sickness, SL offers measures like a free health exam for all employees every other year. In addition, SL subsidises fitness activities and hosts health-promoting lectures via the Personnel Department. During the year, facilities for exercise and weight training were equipped in direct connection with the head office.

Skills reinforcement

A number of new positions were created during the year where the primary goal is to strengthen the organisation for higher ambitions and prioritised projects. Skills reinforcements were made in areas like engineering, IT, project management, communication, marketing and sales. Access to qualified applicants is lower than in the preceding year, mainly among project managers and specialists in IT, engineering and property management.

In the spring SL decided that SL Customer Service would take over responsibility for ticket control, which was previously handled by Connex and Citypendeln. All of the affected employees were offered positions with SL Customer Service and a total of 94 people have been employed by SL Customer Service at mid-year 2006.

Average number of employees

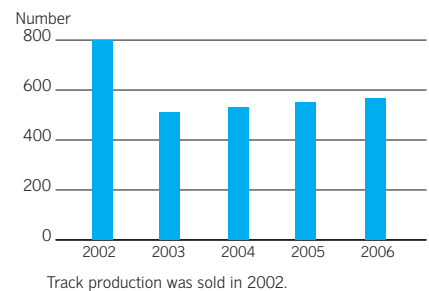
The average number of employees in the Group during 2006 rose to 567 (549 in 2005). The share of women was 35% (34% in 2005) and the share of women managers was 40% (33% in 2005). Equality and diversity plans were formulated for 2006. Equality work has focused on raising the

share of women in qualified specialist positions. When hiring new managers, the gender perspective is always an important component. A study has been carried out to ensure that salary discrimination does not occur.

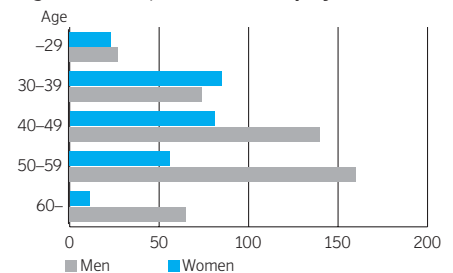
Collaboration with transport contractors

In the spring SL decided to establish a so-called SL Academy, where the aim is to encourage skills development and improve the scope for long-term recruitment of traffic personnel. During the summer and autumn, efforts were devoted to implementing certification of bus drivers. A higher level of skill among the drivers will boost the service quality and enhance security for the travellers.

Average number of employees



Age structure, number of employees



Contractors for day-to-day operations

Although SL is ultimately responsible for the public transport system in Stockholm County, day-to-day operations have been handled by a number of external contractors since the 1990s. When procuring services, the top priorities are effective resource utilisation and customer focus.

In the autumn of 2004 SL's Board adopted a set strategies for procuring external resources. SL continuously evaluates earlier procurements and improvements in methods and quality, as well as developing the contractual frameworks.

Agreements with contractors are increasingly shifting towards incentive-driven arrangements in which compensation is determined not only by the actual performance of transport services but also by factors like reliability, cleaning and ticket revenues. The more well maintained and clean trains and buses, operating on schedule, the higher the amount of compensation paid by SL to the contractors. Conversely, failure by the contractors to meet these requirements will result in lower compensation.

Procurement of transport contractors

When procuring new transport contractors, SL places considerable emphasis on the tender documentation and specifications. The basic structure consists of all of the technical factors that guarantee safety and punctuality.

A whole new method was used in procurement of bus transport services during 2005 and 2006. For the tender documentation, SL used a SIQ-based model for customer-oriented operational development. Special demands were made on information about the three cornerstones of system, structure and culture.

One requirement in all procurements is that the employees of existing contractors are offered employment in the new company. Agreements normally run for a period of five years with an option for extension by SL. In 2006, three procurements were carried out for bus services in Nynäshamn, Solna/Sundbyberg and Sollentuna.

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 at the stations and report on everything from cleanliness to employee attitudes. Follow-up of Satisfied Travellers is another important element of performance evaluation, see also page 10. Furthermore, regular audits are conducted for assessment of specific quality or environmental aspects. Contractor agreements with are continuously revised and developed to incorporate new quality requirements.

All traffic incidents are reported to an incident registration system to which SL has full access. In the event of more serious incidents, the contractor makes direct contact with SL's Safety Department.

Monitoring of the Commuter train agreement effective as of June 2006 is handled by a contract manager and a "Commuter Team" at SL. The goal is to gather all requirements and preferences related to the supplier from SL's various departments. Teams of this type have also been set up for station services in the Underground and Commuter train networks. For the bus transport procurements carried out according to the SIQ model in 2005 and 2006, systematic development activities will also be evaluated on an ongoing basis.

Incorporating
strong drivers
into the agreements is
decisive for SL's future.

- **Veolia Transport Sverige** operates the Underground system, the Light Rail, the Lidingö suburban railway, the Nockeby light rail and the Saltsjö 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, Haninge, Nynäshamn and Årsta/Älvsjö. The company is 70%-owned by France-based Keolis and 30%-owned by AB Storstockholms Lokaltrafik.
- **Citypendeln** operated the Commuter trains in Stockholm until 17 June 2006. Citypendeln is owned by France-based Keolis.
- **Stockholmståg** took over operation of Commuter train traffic including station services on 18 June 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, Upplands Väsby, Ekerö, Nacka, Värmdö, Huddinge, Botkyrka, Järfälla and Upplands Bro. Swebus is wholly owned by Concordia Bus.
- **Roslagståg** has been responsible for transport services and operation of the station on the Roslagen suburban railway since 2003. The company is owned by DSB (Danske Statsbaner) in Denmark and Tågkompaniet. The majority owner is DSB.



Administration report

AB Storstockholms Lokaltrafik, corporate identification number 556013-0683

The Board and the Managing Director of AB Storstockholms Lokaltrafik hereby submit the annual report of the Company and the Group for the financial year 1 January – 31 December 2006.

Ownership structure

The Parent Company of the SL Group, AB Storstockholms Lokaltrafik (SL), is owned by the Stockholm County Council (SLL). At year-end 2006, the Group consisted of the Parent Company with four operating and two dormant subsidiaries and five associated companies. Under an agreement with SL, SLL guarantees current and future profit coverage for AB Storstockholms Lokaltrafik and its subsidiaries.

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 intended to be 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, as well as receiving and reporting feedback from the public, and took over responsibility for ticket control as of 1 July 2006. The takeover was carried out as a transfer of operations in which all 94 employees were included. SL Kundtjänst AB is 56.1%-owned by SL pending the acquisition of an ownership stake by Stockholmståg AB together with other transport contractors in the network, after which SL's holding will be 51%.

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

Furthermore, SL holds shares in the following associated companies with public transport-related activities: Svensk Banproduktion AB (40%), AB Transitio (47%, but the upcoming addition of several co-owners will reduce SL's holding), Stockholms Terminal AB (40%), Tågja AB (33.3%) and Busslink i Sverige AB (30%). Aside from these, the Parent Company has an ownership stake in Samtrafiken i Sverige AB (2.12%). SL's participation in the Nordic travel card collaboration has also resulted in a shareholding in SLTF Resekortet i Sverige AB (13.23%).

In recent years, SL has undergone a dramatic realignment to refine its role as a buyer organisation. SL's goal is to wind up its holdings in the production companies (Svensk Banproduktion AB, Busslink i Sverige AB and Tågja AB). This process is expected to be completed within a few years.

The vehicle maintenance company Tågja AB, formed in 2000, is owned in equal proportion by SL, Veolia Transport Sverige AB (named changed from Connex) and Bombardier Transportation Sweden AB. Changes in the ownership structure are under discussion. In 2002, 70% of the shares in Busslink 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 the remaining shares, in 2009 or 2010.

In 2003, 60% of the subsidiary Svensk Banproduktion AB was sold to the Netherlands-based railway technology company Structon Railinfra. A conditional agreement on the sale of the remaining shares to Structon Railinfra has been approved by Structon Railinfra and the Board of SL. Approval by SLL is pending.

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 within the financial framework designated by SLL.

SL's operations are governed by the goals and guidelines set out in the strategic plan adopted by SL's Board. A new strategic plan, known as the strategic platform, is under development.

SL's foremost goal is to increase the number and satisfaction of travellers, which will also contribute to a better environment, fewer accidents and positive regional development. Goal attainment during the period to 2010 is measured in the number of journeys per weekday, the share of satisfied travellers, new revenues generated by increased traveller volumes, that all travellers pay for use of the services and the introduction of more value added services in connection with SL's services.

Travelling with SL in 2006 increased by nearly 5% over 2005, to 2,383,000 boardings on a typical weekday in the spring and autumn. The change is mainly due to rising petrol prices, a higher level of economic activity in the county and increased traffic during the congestion charging trial in Stockholm. The transport increase was lower in the autumn than earlier in the year due to discontinuation of the congestion charging trial on 31 July. The reasons for shifts in travel patterns have been studied with the help of component analysis in SL's transport forecast model.

The autumn survey of **perceived quality**, which was conducted onboard SL's vehicles in October, showed a positive change from the spring survey and a return to the same level as autumn 2005. The share of satisfied travellers was 64% and the dissatisfied share was 15%. In the spring survey, the share of satisfied travellers was 61% and the dissatisfied share was 18%, with the Commuter trains accounting for most of the negative effect. Perceptions of Commuter train service had improved by the autumn but are still low compared to the other transport types. Starting in November 2006, SL's onboard survey is carried out every month. These surveys have shown a slight falling trend for satisfaction – in November 63% were satisfied and 16% dissatisfied, while in December 62% were satisfied and 17% dissatisfied. The share

of satisfied travellers per transport type decreased for the Underground and Commuter trains but improved for the buses and local trains.

The share of satisfied county residents according to SLTF's public transport barometer was 55% (56%) and the share of dissatisfied residents was 11% (10%) in 2006. According to the barometer, the share of satisfied travellers was 61% (62%) and the dissatisfied share was 9% (8%), i.e. indicating a decrease in quality.

Total **traffic production** measured in seat km rose by 4.8% to 15,786 million (15,059) including the traffic increase of 1,068 million seat km in connection with the congestion charging trial, up by 7.3% compared to 2005 excluding the traffic increase. A higher share of low floor buses, with fewer seats than standard buses, has inhibited growth in seat km. A detailed description of the traffic increase during the congestion charging trial is described below.

Traffic production in the **Underground** rose by 5.7% including increased traffic in connection with the congestion charging trial. The number of travellers on a typical weekday rose by 5.4%. In the spring and summer, the older carriages that were withdrawn from service after a fire in 2005 were reintroduced in traffic. In August, the frequent traffic period on the Blue Line was extended on weekday evenings with departures every 10 minutes until 9:30 p.m. Problems with wheel plates at the end of October resulted in a large share of carriages out of service. Punctuality on all Underground lines decreased markedly compared to 2005, although the share of cancelled departures and traffic stoppages has decreased.

Traffic output on the **Commuter trains** increased by 8.2% compared to 2005. The number of travellers on the Commuter trains rose by 0.4% measured as the number of boardings on a typical weekday. Punctuality decreased and the share of cancelled departures was up compared to 2005. Most of the poor and declining punctuality in Commuter train traffic is explained by conditions that fall within Banverket's area of responsibility. During the year SL, Banverket and Stockholmståg formulated a joint action plan to deal with punctuality problems.

Use of the **Travel Guarantee** can be seen as one of several expressions for the level of quality in traffic. In 2005 the number of claims increased and the total amount of compensation paid rose by 40%. In 2006 the increase accelerated as the number of claims rose by 49% to 38,042 (25,457) and total compensation by 74% to SEK 9.8 million (5.6). Much of the explanation lies in the traffic chaos for virtually all transport types that arose due to snow and cold in February-March and the unexpected snowfall on 1 November, as well as major disturbances in Commuter train traffic and reduced access to Underground carriages for the reasons described above.

Traffic output on the **local trains** rose by 2.6% in 2006 and the number of travellers increased by

6.5%. In 2006 the **Roslagen** and **Lidingö suburban railways** and the **Light Rail** ran with somewhat lower punctuality than in 2005, while punctuality on the **Nockeby light rail** and **Saltsjö suburban railway** improved – for the Saltsjö suburban railway from a low in 2005 caused by various technical problems.

Production of **bus services** rose by 1.9 % in 2006 and the number of travellers was up by 4.6%. Punctuality in all three bus traffic regions, including the inner-city, was down somewhat from the 2005 level. The share of cancelled departures increased slightly.

Congestion charging trial and SL's increased traffic

A decision was made by the Stockholm Municipal Council in June 2003 and by the Swedish parliament in June 2004 to carry out a congestion charging trial in inner-city Stockholm. SL was commissioned to plan and operate public transport services to meet higher demand during the trial, where the goal was to avoid increased crowding for the existing customers. The result was the largest public transport initiative since the Underground was opened in the 1950s, of a magnitude equal to the entire public transport system in Malmö. The traffic increase started on 22 August 2005 and ended on 31 December 2006. The congestion charging trial lasted from 3 January to 31 July 2006. The key players, aside from SL, were the National Road Administration and the City of Stockholm.

SL's traffic increase during the Stockholm Trial essentially consisted of 18 direct bus lines from the outlying municipalities to the inner-city and in the opposite direction in the afternoon/evening.

197 new buses were purchased for the traffic increase and more frequent departures were added on many regular bus lines. The Commuter trains were given additional departures when the trial started. All Underground lines ran more frequently, as did the local trains. Marketing was focused mainly on spreading knowledge about the increased traffic services and the free-of-charge park-and-ride sites. Aside from buses, investments were made in 16 enlarged and new bus depots and 1,500 park-and-ride spaces. Under an agreement with SL, the Government has compensated SL for costs and investments related to the traffic increase with a deduction for SL's additional revenue from higher ticket sales.

Production in the increased traffic during 2006 amounted to 1,068 (374) million seat km, equal to growth of more than 7% in SL's total transport services. Traffic production per transport type was as follows: bus 380 (131), Commuter train 376 (140), Underground 231 (73) and local trains 81 (30) million seat km. The number of SL travellers rose by more than 6% during the congestion charging trial in January–July 2006, compared to the same period of 2005. Ticket revenues rose as a result of the increased traffic during both August–December 2005 and August–December 2006. Total traffic costs in 2006 amounted to SEK 375.2 million, compared to the forecasted SEK 331.4 million. Nearly 85% of these costs referred to bus services.

Half of the decrease in work journeys by car during the congestion charging trial were absorbed by the public transport system. For SL's bus services, the decrease in traffic to and from the inner-city led to improved traffic flow and punctuality on certain

routes. In the autumn of 2005 a majority of county residents felt that the congestion charging trial was a poor decision, but in the spring of 2006 a majority were in favour of the decision, according to data from the Stockholm Trial analysis group. One lesson for the future in the analysis group's summary is that it is not possible to decrease traffic congestion solely through more and better public transports. Parts of the increased traffic connected to the congestion charging trial were discontinued at year-end 2006.

The number of **environmental vehicles** is being successively increased. At year-end 2006 there were 379 (256) ethanol buses and 30 (30) biogas buses in service. An additional 21 biogas buses have been ordered and will be delivered in early 2007.

According to preliminary estimates, **graffiti and other vandalism** gave rise to repair and cleanup costs of approximately the same level as 2005, i.e. in the range of SEK 115 million. In 2005 these costs decreased by 8% from a record high of SEK 125 million in 2004. In addition, SL had costs of more than SEK 150 million for security and guard services in the transport system.

Aside from operation and maintenance of the public transport system, sizeable **investments** are made in the Underground, bus services, the Commuter trains, the Roslagen suburban railway, the Light rail, etc. The SL Group's total investments in fixed assets during 2006 amounted to SEK 3 445 million, compared to SEK 2,309 million in 2005, see below.

New Managing Director. At an extra board meeting on 14 December 2006, the Board of SL decided to dismiss Lennart Jangålv from his duties as Managing Director of AB Storstockholms Lokaltrafik. As Acting Managing Director the Board appointed Lars Nordstrand, pending the appointment of a new Managing Director. At its meeting on 19 December 2006, the Board decided to appoint Ingemar Ziegler as the new Managing Director as of 1 January 2007.

Environment

SL's environmental work is based on the ISO 14001 standard, for which SL has been certified.

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. Because SL functions mainly as a buyer of services, 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. Two contaminated sites have been identified and continued investigations are under way. There is a risk for soil contamination in areas owned by SL where operations are still conducted, although it is currently uncertain to what extent. A number of environmental-technical soil surveys and storm water studies have been carried out.

SL works systematically to reduce noise from the transport system and minimise environmental

risks. No provisions for environmental risks have been made.

Accessibility and safety

Accessibility

At its meeting in February 2006 the Board of SL adopted a new action plan aimed at increasing accessibility for the disabled. When drafting the revised action plan, SL has consulted handicap organisations and has submitted the plan to SL's Co-operative Council and the Accessible Transport & Paratransit Committee for comment prior to adoption by the Board.

The current action plan has a clearly defined goal: anyone who can get to a station or stop, on their own or with assistance, will be able to travel with SL by 2010 at the latest.

According to a decision by the Board of SL in December 2005, handicap access to bus services is being ensured through the introduction of low floor buses with ramps in all bus traffic aside from certain motorway and rural routes. Of all buses, 63% (53%) were of the low floor type at year-end 2006. In the inner-city, all buses have low floors.

To provide detailed data for planning, a systematic inventory of the Commuter train and Underground stations has been made to identify shortcomings in accessibility. These inventories will serve as a basis for the action plans to be carried out in association with representatives from the handicap organisations in 2007. Lifts are already found at nearly all stations, but a few are still without. By 2010 all stations will be equipped with lifts.

Platform heights in the Underground present difficulties for many people using wheelchairs. To solve this problem, the nominal height now applied is approximately 5 cm lower than previously. At its meeting in December 2005, the Board of SL instructed the Managing Director to prepare proposals for height adjustment of the platforms by 2010. Lowering of the tracks at certain stations and raising them at others is deemed to be a viable solution.

Safety and security

It should be safe to travel with SL and the travellers should perceive the environment as secure. No person should be killed or seriously injured as a result of SL's operations.

Installation of cameras began in 2006 and will continue in 2007. The motives for video surveillance are to increase security, prevent crime, facilitate evacuation and provide evidence for criminal investigations. Cameras will be installed at all Underground stations and certain Commuter train stations in 2008 and on all buses in 2007. While all new underground carriages (Vagn 2000) have cameras, the old carriages do not. In Commuter train traffic, all X60 and X10 trains have cameras. Although the X1 trains still in service do not have cameras, these trains will be retired from service in the next few years. On the local trains, neither than vehicles nor stations are equipped with cameras.

In 2006 a new fire alarm system was purchased for the Underground. Installation of the system will be completed in 2007 and 2008. At the Zinkensdamm Underground station, which has only one entrance/exit, smoke barriers have been installed. The three other stations with a single entrance/exit will also be equipped with smoke barriers in the next few years.

Development of the Security Centre has given SL an increasingly clear overall view of the facilities and vehicles which, together with increased cooperation with the police, has resulted in generally improved order in SL's environments. The Underground police were given greater resources during the year, which has also contributed to better order.

Personnel

With the support of the strategic platform, SL will involve all employees in the development of SL's transport services. SL should be permeated by a team spirit where the foremost task of managers is to spur the employees to success. SL's employee strategies are to:

- Increase participation and cooperation
- Secure the right competence

In 2006 managers in the organisation were given training in SL's guiding principles of Cooperation, Responsibility, Trust and Commitment. An effort to spread these principles to all employees was started in the autumn of 2006. The goals are to create a culture that strongly supports SL's objectives and builds a common value platform.

In the spring of 2006, the Board of SL decided to establish a so-called SL Academy, where the aim is to encourage skills development and improve the scope for long-term recruitment of traffic personnel. During the summer and autumn, efforts were devoted to implementing certification of bus drivers.

A number of new positions were created and employees hired during the year and skills reinforcements were made in areas like engineering, IT, project management, communication, marketing and sales.

Equality and diversity plans were formulated for 2006. Equality work has focused on raising the share of women in qualified specialist positions. SL is also taking part in projects to develop public transportation from an equality perspective, for example in terms of perceived security in traffic.

Financial results

Group

The SL Group's **operating income** for 2006 amounted to SEK 11,182 million (10,257), of which ticket revenues accounted for SEK 4,049 million (4,084).

The decrease is mainly explained by increased losses (SEK -40 million), the flat fare system (SEK -105 million) and a higher age limit for the youth discount from 18 to 20 years (SEK -10 million), which was offset by an increased traveller volume (SEK +125 million). Other operating income, consisting of revenues from advertising, rents and other services, amounted to SEK 2,212 million (1,935). The increase in other operating income refers primarily to accrued operating subsidies for investment in fixed assets (SEK +107 million), a capital gain on the sale of the Icarus site leasehold (SEK +61 million) and compensation from SLL for the additional cost of 123 ethanol buses (SEK +46 million).

Total operating income for the Parent Company was SEK 10,008 million (9,191) and includes all of the Group's ticket revenues and operating subsidies from SLL, the latter amounting to SEK 4,588 million (4,125).

The increase in losses because of fare dodging etc. is due to longer periods when the ticket booths in the Underground are unmanned during staff changes. In consultation with Veolia Transport

Sverige AB (formerly Connex), SL will take measures to solve this problem. The union-imposed ban under which the buses no longer accept cash has cost an estimated SEK 1 million per day in lost revenue. The time limit for implementation of the cash stop (after which no cash will be handled in bus traffic) was extended until 31 March 2007 by decision of the Government in December 2006. Preparations for the cash stop are under way.

The Group's total **operating expenses** totalled SEK 11,831 million (9,704), 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 7,225 million (6,451).

Operating expenses include amortisation/depreciation and impairment charges of SEK 1,208 million (993), of which SEK 592 million (430) refers to carriages and vehicles held under finance leases.

Other operating expenses include capital cost compensation of SEK 333 million (337) to SJ (the Swedish State Railways). The amount refers to capital costs for investments in the Commuter train infrastructure. For previous investments, the oldest of which were made more than 35 years ago, SL's repayment obligations will expire on 30 June 2010. The remaining future payments for this "old debt" are reported as an exceptional item (see also page 6).

The Group's **net financial items** are reported at SEK -304 million (-213), of which interest expenses of SEK 213 million (131) refer to the interest portion of finance lease charges.

The tax financing ratio (calculated as operating subsidies divided by the sum of operating subsidies and revenues from ticket sales, advertising and external rents) was 52.0% (49.2%). Since the early 1990s, the tax financing ratio has decreased from around 70% through reduced costs and higher revenue.

Group profit

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

SEK million	2006	2005	2004	2003	2002
Ticket revenue	4,049	4,084	3,818	3,329	3,405
Government compensation for increased traffic	333	113			
Operating subsidies from SLL	4,588	4,125	3,820	3,861	3,596
Production, net	-8,184	-7,197	-7,029	-6,737	-6,439
Capital costs ¹⁾	-1,544	-1,327	-975	-871	-788
Compensation to SJ for older investments	-956				
Other, net	759	542	464	468	621
Group profit/loss	-955	340	98	50	395

1) Excluding capital costs for underground and commuter train carriages leased from Transitio

Revenues for 2005 have been adjusted by SEK 118 million, Production, net by SEK -104 million and Other, net by SEK -14 million due to a changed accounting standard for reporting of congestion charging. See also accounting standards under "Additional Information".

Operating income, net sales, in 2006 rose by 7.8% to SEK 8,970 million. Operating subsidies from SLL increased by 11.2%, while ticket revenues fell by 0.9%.

In 2006 costs for traffic production rose by SEK 987 million or 13.7% to SEK 8,184 million, partly due to additional costs for congestion charging traffic (SEK 271 million), increased index-cost traffic (SEK 154 million), higher costs for the Commuter trains mainly resulting from the new Commuter train agreement, unforeseen costs for Nynäshamn traffic (SEK 134 million) and extra costs for ethanol buses (SEK 41 million). Added to this were higher costs in several bus areas such as the inner-city (SEK 79 million), Huddinge/Botkyrka (SEK 59 million), Söderort (SEK 40 million) and Norrtälje (SEK 45 million), partly arising from increased fuel prices. Another explanation is that a maintenance reserve of SEK 90 million for track renovation was reversed in 2005.

In the year-end accounts for 2004, an extra cost of more than SEK 200 million was recognised for accrued heavy maintenance on Vagn 2000. Adjusted for this provision in 2004, production costs in 2005 were up by 3.9%. Only marginal traffic changes were made in 2006 and have been recognised over the income statement.

Capital costs, i.e. depreciation, interest on loans and lease charges, rose by 16% compared to 2005 and reached SEK 1,544 million (1,327). The increase is mainly attributable to higher depreciation under a new depreciation method with an effect of SEK 86 million in 2005 and SEK 163 million in 2006. Added to this are higher interest expenses resulting from an interest rate hike (where each percentage point has an effect of around SEK 61 million) of 0.7 percentage points that raised capital costs by SEK 43 million, as well as higher capital costs arising from an increased depreciation base due to the purchase of new commuter trains and ethanol buses.

Compensation to SJ, see Note 6 in section "Additional Information".

Risk analysis of financial control

The overall objective for SL's financial management is to secure the Group's financing needs cost-effectively and with low risk. Through coordination of financing activities in the county enterprises, SLL's financing company AB SLL Internfinans has primary responsibility for management of the financial at the Group level. The County Council manages risks through its finance policy, which also applies to SL. The remaining risks are mainly interest risk and administrative risks. The company strives to minimise administrative risks through skills planning and documentation.

Interest risk

SL's lease contracts carry variable interest, which results in cost-effective financing but also gives rise to a risk for higher interest expenses in the event of rising market interest rates. To offset this interest risk, SL has entered into swap contracts with SLL Internfinans corresponding to SEK 3,700 million (3,400). The additional cost arising from

extension of the fixed interest period for swaps amounted to SEK 68 million (80) in 2006. The average fixed interest period at year-end was 2.5 years (2.2), which is within the limit prescribed by SLL's finance policy.

Currency risk

SLL's finance policy permits no significant currency exposure. This means that financing and investments may be denominated in foreign currency, but that all currency exposure must be eliminated when the agreements are signed unless otherwise agreed with SLL Internfinans. All currency flows arising twelve months forward in time (later than one year) or where the agreement applies to an amount of more than SEK 1 million must be hedged with derivatives. The structure of 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 to be paid for in euro. On the balance sheet date, 34 carriages (28) had been hedged for a value of SEK 1,514 million (1,270). Advance payments for all 71 carriages have already been paid in euro. Outstanding advance payments at 31 December 2006 were equal to SEK 838 million (1,331).

Credit risk

In the event of advance payments, there is a risk that the supplier will become insolvent before delivery is made. 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 contributions 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

Because SLL is obligated by agreement to contribute the necessary funds for operating activities during the financial year, the risk for a liquidity shortage 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 agreements with SLL, leases or government contributions.

Investments and financing

Investments in SL traffic are shown in the following table:

SEK million	2006	2005	2004	2003	2002
Track renewal	554	406	460	388	349
Interchanges, station renovation	177	278	480	425	444
New underground carriages, Vagn 2000	1	5	159	987	914
New commuter train carriages	1,728	537	66	68	1,446
Carriage renovation - reclassifications	14	7	50	64	54
Light Rail	-9	12	12	41	266
Buses	335	569	0	0	858
Other, including depots	645	595	607	440	402
Total investments	3,445	2,309	1,834	2,413	4,733

During a 15-week period from May to August, the Liljeholmen–Fruängen section of the Red Line underwent total renovation. The section crosses nine

bridges that have not been resurfaced since the Line was built 40 years ago. This is the first time SL has chosen to completely close off a section of the Underground for such an extended period. All five stations and all platforms were renovated and the tracks and switches were replaced along the 4.7 km Line. Four new backup generators were built and all electrical systems were replaced. Renovation according to the traditional method of working during traffic-free time at night would allow around three hours of effective time per night, which means that the project would have taken several years. By closing off the section entirely, it was instead possible to work in two shifts from 6 a.m. to 10 p.m. daily. The section was trafficked by replacement buses during the renovation period. The result is a fully renovated Underground section at a significantly lower cost than with traditional methods. Furthermore, travellers on the section are satisfied with both the replacement traffic and the final outcome. SL is planning a similar total renovation on the Farsta section of the Green Line in 2008.

The Visinge–Lindholmen section of the Roslagen suburban railway's Kårsta branch was renovated in 2006. This work turned out to be more time-consuming than planned, since certain areas of the soil were weaker than anticipated and had to be reinforced. The Roslagen suburban railway with its three branch lines extends through several municipalities in southern Roslagen and is unique in many ways, as one of Sweden's few remaining narrow gauge railways and the only one used in daily passenger traffic. Extensive renovation work has been carried out in the past few years to modernise the more than 100-year-old railway. Virtually everything has been, or will be replaced, allowing the trains to run more frequently and with greater punctuality. In 2006 the Board of SL decided to accelerate the investment so that it can be completed earlier, Rydbo–Österskär in 2007, Universitetet–Älkistan in 2008 and Galoppfältet–Rydbo in 2009.

The Underground stations are continuously renovated according to a yearly prioritisation. The main goals are to modernise, increase accessibility and improve information. In 2006 the renovation of T-Centralen's northern entrance was completed with a new SL Center and a general refurbishment.

In the autumn of 2005 the first carriages of the new X60 commuter train went into service on the Bålsta–Västerhaninge section. SL has ordered a total of 71 carriages, of which 38 were delivered on 31 December 2006. Two carriages from a train corresponding to 8 carriages of the old type. The new trains are articulated and more than 100 metres long, with an open floor plan throughout. The carriages have low-floor entrances at platform level in all door openings, and a push-out step in the first and last doors to improve accessibility. Other advantages are a low noise level, air conditioning and individual seating. A survey at the end of 2005 showed that a full 92% of travellers were satisfied with the new trains. The X60 also functions better in winter conditions than the older trains and is significantly easier to maintain and repair. The new train depot in Bro is functioning smoothly and the Älvsjö depot is currently being rebuilt. The possibility of a new depot in Södertälje is also being considered and planned. The oldest commuter train carriages, which have been in service for nearly 40 years, will be phased out during 2007.

SL has been working with alternative fuels for many years and has one of the world's largest fleets of ethanol buses. In 2006 SL invested in 123 new ethanol buses. A number of ethanol filling stations were set up at bus depots during the year, making it possible to extend the reach of ethanol buses into the local suburbs. At the end of 2003 SL signed an agreement with Stockholm Water for the supply of biogas from the Henriksdal wastewater treatment plant, and trunk bus number 2 now runs exclusively on biogas. Bus services are a basic component of SL's operations, but have environmental disadvantages compared to rail traffic. It is therefore vital to make the buses as energy-efficient and eco-friendly as possible. More biogas buses in inner-city Stockholm and ethanol buses in suburban traffic would offer considerable environmental benefits. SL's goal is for half of the buses to run on renewable fuels by 2011 and all buses by 2025.

The new SL Access payment system will be launched at year-end 2007. In August 2006 the first blue card readers were installed at a number of stations along the Underground's Red Line. During the year, investments were also made in systems and adaptation of working methods in preparation for the launch. The new system will result in a number of changes in Stockholm's public transport while at the same time bringing greater convenience to both travellers and the 14,000 employees working in SL traffic. The SL Access card will replace both the current magnetic strip card and paper tickets. The cards contain a programmable chip that can be loaded with different types of tickets and fares.

Improved communication and information for bus travellers remains a top priority. The BussKom radio system and BussPC have been installed on the buses to assist the drivers. BussKom is an integrated communication system for all buses that allows bus drivers to maintain constant radio contact with the traffic control centres. BussPC is a computer that contains all information about the bus, its route and its position via built-in GPS. Among other things, BussPC has made automatic bus stop displays and announcements possible. The next phase is to provide travellers with real time information.

Financing of SL's investments has taken place as follows:

SEK million	2006	2005	2004	2003	2002
Government grants	292	536	277	291	485
Finance leases, etc.	2,253	1,490	377	1,822	4,248
Borrowing from SLL/Internal funding	900	283	1,180	300	0
Total financing	3,445	2,309	1,834	2,413	4,733

SL's rail-bound vehicles, such as Vagn 2000 and the new commuter trains, are largely financed through finance leases. Also buses are to an increasing extent financed by SL and through finance leasing. Previously, the buses were financed directly by the transport contractors and were not regarded as infrastructure in the same way as rail-bound vehicles, partly because there is a market for buses. SL's improved means to manage residual value risk for the buses and better financing conditions have contributed to the change. Today, 1,019 of a total 1,924 buses in service are financed via SL. This corresponds to around 53% of the entire bus fleet in SL traffic. All buses are leased to the transport contractors on market-based terms.

The government grants of SEK 292 million in total consist of funds granted to the County Plan (SEK 60 million), remaining funds from the Dennis Agreement (SEK 7 million), contributions from Banverket's Future Plan for the new Commuter trains (SEK 135 million) and contributions for congestion charging trial (SEK 90 million).

The SL Group's cash assets at 31 December 2006 amounted to SEK 1,182 million (850). Out of SL's cash balance, SEK 1,103 (793) is held in a Group account with SLL.

As a consequence of the large-scale investment programme, the SL Group's balance sheet total has increased sharply over the past few years. At 31 December 2006, the total book value of SL's assets was SEK 27,418 million (24,914). Both fixed and current assets increased during the year. Of the current assets attributable to accounts receivable, SEK 169 million (656) refers to the new commuter trains which are lease financed.

Events having taken place after the accounting date

A new collective pension agreement for the SL Group's employees was signed in January 2007 with retroactive effect from January 2006. It represents a revision of the old agreement in certain respects. In the financial statements, pension liabilities and expenses have been calculated in accordance with the old pension agreement.

SLL has already changed over to the new agreement, which is expected to remain within the same cost limits as the old one. Certain effects may arise during the transitional period, but these are judged to be of minor significance for SL, particularly compared to the other potential adjustments in interest rate and mortality assumptions.

Future development

Development of ticket revenues was slightly negative in 2006 as a result of the change in 2006 when distance-based fares (not covered by a period card) were replaced by a flat fare regardless of distance. The zone system was reintroduced on 1 April so that the price of a journey can once again vary in relation to the distance travelled. On 1 April the

price of the 30-day card was raised by SEK 20. Efforts to improve Commuter train traffic will proceed in 2007 and onwards. Delivery of the new vehicles (X60) will continue with 33 vehicles in 2007 for a total of 71. The new trains will replace the oldest of the carriages that were delivered more than 30 years ago. Service with long trains to Nynäshamn will begin when Banverket has modified the passing points and platforms. Measures are also planned to increase the frequency of departures from 15 to 10 minutes in trunk traffic starting in 2008. In the Underground traffic, SL is working to improve punctuality. Among other things, capacity on the Green Line will be increased on weekdays with additional trains for departures every 10 minutes during rush hour. In 2008 the Green Line will be renovated. In bus traffic, SL will continue its collaboration with the City of Stockholm to reduce traffic congestion. The agreement within the framework of Dennis Package expired at the end of 2005 and a new agreement was signed in 2006 entailing 50/50 financing of measures that facilitate bus traffic in the city. Ongoing investments will continue to be made in replacement and construction of new wind shelters at stops. In 2007, a large number of stops will be provided with real time information.

The new SL Access payment system will be introduced at the end of 2007. In 2007, all of the technical equipment will be delivered and installed and a successive changeover to the new payment system can take place. In connection with this, the travellers will be provided with extensive information about the new system and its advantages.

The congestion charging trial in Stockholm started on 3 January 2006 and ended on 31 July. The traffic output was adjusted to absorb an influx of new travellers and this traffic was maintained until the end of 2006. According to the applicable agreement, the Government has borne the additional costs for increased traffic in 2006 and assumed the risks for investments made through 31 December 2006. Certain parts of the increased traffic will be retained and incorporated into the regular services.

In 2005 SL changed its depreciation method for leased vehicles in the consolidated accounts, after which these costs are recognised earlier than ac-

ording to the previously applied standards. For 2006, 2007 and the period through 2012, this will generate a cost increase compared to earlier plans.

Over the past 10-year period, SL has invested more than SEK 24 billion in new rolling stock and other upgrading and modernisation of the transport infrastructure. The investment requirement will remain substantial in the coming years, with a rising need for maintenance in the existing equipment. Furthermore, it will be necessary to gradually increase traffic capacity in pace with population growth in the region. All in all, this will lead to higher expenses for SL in the next few years.

Although no economic forecast has been made of the operating and maintenance budget for 2007, continued cost control will be critical for SL to maintain a financial balance. For the same reason, measures to boost various types of revenue will continue in 2007.

Allocation of profit

According to the adopted balance sheet, the Parent Company's non-restricted equity amounts to SEK -394,070,424. No transfers to restricted reserves are required. The consolidated balance sheet contains no non-restricted equity.

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

Retained profit	439,939,149
Net loss for the year	-834,009,573
Total	SEK -394,070,424

The Board and the Managing Director propose that these funds be allocated as follows:

to be carried forward to new account	-394,070,424
Total	SEK -394,070,424

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 notes.

Stockholm, 20 February 2007

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	Wivianne Ling Employee Representative	

Ingemar Ziegler
Managing Director

My audit report concerning this annual report and consolidated financial information was submitted on 13 March 2007.

Magnus Fagerstedt
Authorised Public Accountant

The lay accountants' review report for 2006 was submitted on 28 March 2007.

Income statement

SEK M	Note	GROUP		PARENT COMPANY	
		2006	2005	2006	2005
Operating income					
Net sales	1	8,970	8,322*	8,970	8,322*
Other operating income	2	2,212	1,935*	1,038	869*
Total operating income	3, 32	11,182	10,257	10,008	9,191
Operating expenses					
Contracting costs	4	-7,225	-6,451*	-7,273	-6,462*
Operating and maintenance costs		-122	-287	-125	-207
Personnel costs	28	-383	-324	-304	-157
Depreciation and write-down charges on tangible and intangible fixed assets	8, 26	-1,208	-993	-528	-497
Share in profit of associated companies	16	18	10	-	-
Exceptional costs	6	-956	-	-956	-
Other operating expenses	7, 29	-1,955	-1,659*	-2,138	-2,001*
Total operating expenses	3, 32	-11,831	-9,704	-11,324	-9,324
OPERATING PROFIT/LOSS	5	-649	553	-1,316	-133
Profit/loss from financial investments					
Interest income and similar items	9	67	77	23	15
Interest expense and similar items	10, 26	-371	-290	-74	-75
Total profit/loss from financial investments		-304	-213	-51	-60
PROFIT/LOSS AFTER FINANCIAL ITEMS		-953	340	-1,367	-193
Minority share in profit/loss		-1	0	-	-
Appropriations	11	-	-	533	633
Profit/loss before tax		-954	340	-834	440
Income tax expense		-1	0	0	0
PROFIT/LOSS FOR THE YEAR		-955	340	-834	440

*) The income statements of the Group and the Parent Company for 2005 have been restated compared to the previous year's reported income statement. Income and expenses arising from the congestion charging trial, which were eliminated in the income statement for 2005, have not been eliminated in the year's income statement. There is still no effect on profit. See Note 5.

Balance sheet

SEK M	Note	GROUP		PARENT COMPANY	
		31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005 *
ASSETS					
Fixed assets					
Intangible fixed assets	12, 13				
Usufruct rights		4	4	4	4
		4	4	4	4
Tangible fixed assets	12, 13				
Buildings and land		4,018	3,609	4,018	3,609
Track infrastructure		5,418	5,134	5,418	5,134
Rolling stock	26	11,751	10,082	96	78
Machinery and equipment		244	248	243	246
Construction in progress and advance payments	5, 14	3,179	3,303	1,831	1,426
		24,610	22,376	11,606	10,493
Financial fixed assets					
Shares and participations in subsidiaries	15	–	–	2	2
Shares and participations in associated companies	15, 16	43	34	22	22
Other long-term receivables		1	0	0	50
		44	34	24	74
Total fixed assets		24,658	22,414	11,634	10,571
Current assets					
Inventories					
Stores		101	82	100	82
Current receivables					
Accounts receivable	31	451	796	257	109
Receivables from SLL		5	6	5	6
Receivables from subsidiaries	32	–	–	1,682	2,283
Receivables from associated companies	32	31	49	73	47
Other receivables		756	502	720	474
Prepaid expenses and accrued income	5, 25	234	215	229	234*
		1,477	1,568	2,966	3,153
Cash and bank	17, 31	1,182	850	1,175	843
Total current assets		2,760	2,500	4,241	4,078
TOTAL ASSETS		27,418	24,914	15,875	14,649

SEK M	Note	GROUP		PARENT COMPANY	
		31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005 *
EQUITY AND LIABILITIES					
Equity	18, 19				
Share capital		4,000	4,000	4,000	4,000
Restricted reserves/statutory reserve		1,781	1,761	14	14
		5,781	5,761	4,014	4,014
Retained profit/accumulated deficit		-23	-342	440	0
Profit/loss for the year		-955	340	-834	440
		-978	-2	-394	440
Total equity		4,803	5,759	3,620	4,454
Minority interest		2	0	-	-
Untaxed reserves	20	-	-	1,923	1,923
Provisions	21, 22	1,844	845	1,760	748
Long-term liabilities					
Long-term loans from SLL	23, 31	2,385	1,647	2,385	1,647
Long-term pre-paid income	5, 24	3,548	3,392	3,548	3,392*
Other long-term liabilities	23, 26	10,989	10,427	0	0
Total long-term liabilities		16,922	15,466	5,933	5,039
Current liabilities					
Liabilities to SLL	31	162	118	162	118
Accounts payable	31	1,279	954	1,171	775
Liabilities to subsidiaries	32	-	-	634	989
Liabilities to associated companies	32	347	262	334	243
Other current liabilities		1,149	650	90	141
Accrued expenses and pre-paid income	5, 25	910	860	248	219
Total current liabilities		3,847	2,844	2,639	2,485
TOTAL EQUITY AND LIABILITIES		27,418	24,914	15,875	14,649
Pledged assets		None	None	None	None
Contingent liabilities	27	23	23	23	23

*) The Parent Company's balance sheet at 31 December 2005 has been restated compared to the previous year's reported balance sheet with regard to the congestion charging trial. Prepaid expenses and long-term deferred income have decreased by SEK 159 million. As in the previous year's accounts, investments arising from the congestion charging trial have not been recognised in the balance sheet. SL does not own these assets. See Note 5.

Cash flow statement

SEK M	Note	GROUP		PARENT COMPANY	
		2006	2005	2006	2005
Operations					
Operating profit/loss		-649	553	-1,316	-133
Adjustment for non-cash items					
Depreciation write-downs of tangible and intangible fixed assets	8	1,208	986	528	497
Provisions		999	-115	1,012	85
Capital gains/losses on sales/scrappings		-58	14	-62	7
Recognised government contributions		-134	-123	-134	-123
Other		-19	-10	0	0
		1,347	1,305	28	333
Interest received		67	76	23	15
Interest paid		-371	-290	-74	-75
Cash flow from operating activities before changes in working capital		1,043	1,091	-23	273
Cash flow from changes in working capital					
Increase (-)/decrease (+) in inventories/supplies		-18	5	-18	5
Increase (-)/decrease (+) in accounts receivable		327	-466	-161	184
Increase (-)/decrease (+) in other receivables		-237	95	728	983
Increase (+)/decrease (-) in liabilities to suppliers		407	35	483	114
Increase (+)/decrease (-) in other liabilities		140	259	-404	152
Cash flow from operations		1,662	1,019	605	1,711
Investment activities					
Acquisition of tangible fixed assets	12, 13	-3,445	-2,309	-2,015	-2,843
Sale of subsidiaries and associated companies		0	9	0	9
Sale of tangible fixed assets		71	34	66	34
Other		37	8	0	0
Cash flow from investment activities		-3,337	-2,258	-1,949	-2,800
Financing activities					
Investment loan from SLL		900	400	900	400
Change in long-term liabilities		951	804	-182	112
Amortisation of debt		-117	-32	-117	-80
Government contributions received		313	659	313	659
Group contributions received		-	-	391	578
Conditional shareholder contributions paid		0	-118	0	-118
Other		-40	-135	371	-123
Cash flow from financing activities		2,007	1,578	1,676	1,428
The year's cash flow		332	339	332	339
Cash and cash equivalents at beginning of year	17	850	511	843	504
Cash and cash equivalents at end of year	17	1,182	850	1,175	843

Additional information

Accounting standards

The accounting standards applied in the preparation of the annual report for AB Storstockholms Lokaltrafik comply with the Swedish Annual Accounts 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 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.

Reporting of SL's increased traffic operations in connection with the congestion charging trial in 2006 has been changed compared to 2005. These operations have developed in such a way that they are regarded as part of SL's regular traffic. In view of this, SL no longer eliminates items affecting profit. The figures for 2005 have been restated for the sake of comparability between years.

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 2006. 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. In the consolidated balance sheet, untaxed reserves in the individual group companies are divided between an equity component and a tax component. The equity component has been transferred to the Group's restricted reserves. Intra-group sales, transactions and profits are eliminated in the consolidated financial statements.

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. In the balance sheet, minority interest is reported on a separate line.

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, whereby SL's investment in an associated company is reported as the SL Group's share of the associated company's equity.

Taxes

The SL Group utilizes the balance-sheet method to calculate deferred tax liabilities and receivables. The balance-sheet method implies that the calculation is made based on tax rates as of the balance-sheet date applied on the differences between the book and tax value, respectively, and loss deductible for an asset or liability.

The calculated deferred tax liability amount referable to taxable temporary differences is substantially less than the deferred tax receivable related to unutilised loss deductibles. This means that the deferred tax liability will not materialise as actual tax. Since future fiscal surpluses for SL are expected to be limited, the value of the accumulated surplus can be considered as highly uncertain. Against the above background, the Parent Company and the subsidiaries do not account for any deferred tax in the Statement of Income or in the Balance sheet.

Operating income

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

SL's operating income essentially consists of ticket revenues from scheduled traffic, i.e. traffic conducted by SL under the Act on Responsibility for Public Passenger Transport. A purchased ticket provides access to SL's transport system consisting of the Underground, the Commuter trains, local trains and buses. 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 income in the balance sheet. Revenue from tickets sold as coupons is recognised on the date of sale.

The operating subsidies from SLL, which make up nearly half of operating income, 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 contributions

Government grants consist of operating subsidies from SLL, government subsidies according to the County Plan, remaining funds from the Dennis Agreement and funds from the County Plan and Banverket's Future Plan for the new Commuter trains. Furthermore, contributions consisting of reversed provisions for the congestion charging trial have been paid.

When a grant is tied to an expense, it is recognised as income over the period necessary to match it

with the related costs, for which it is intended to compensate, on a systematic basis.

Government grants that are recognised directly in the income statement consist mainly of operating subsidies, which are reported within the framework of operating income. These grants are stated at true value when there is reasonable assurance that the grant will be received and that any conditions attached to the grant will be fulfilled. Government grants that are tied to a fixed asset are recognised as long-term deferred income in the balance sheet and as income in the income statement allocated in a systematic and reasonable way over the useful life of the asset.

Provisions

For liabilities or obligations where the timing or amount of settlement is uncertain, a provision is made. A provision is recognised in the balance sheet when the Group has an obligation that has arisen as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

Intangible fixed 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 acquisition value of the asset can be measured reliably. Intangible assets are stated at acquisition value less accumulated depreciation 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 recognised at historical cost on the acquisition date and are subsequently measured at cost less accumulated amortisation and impairment charges. 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
Of which:	
Cars	5 years
Buses	10–12.5 years
Rail-bound vehicles	30 years
Track infrastructure	20 years
Buildings, land improvements and leasehold improvements	20–50 years

Stores and inventories

Stores and inventories are recognised at the lower of cost and net sales value, where cost is calculated on a First-In, First-Out (FIFO) basis. 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. Translation differences arising on translation are recognised in the income statement.

All foreign currency flows arising twelve months forward in time (12 months or later) and/or where the agreement involves an amount of more than SEK 1 million are hedged.

Borrowing costs

SL's borrowing costs consist of interest expenses on funds borrowed for investment in fixed assets and 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 acquisition value. For that reason, SL attributes interest on the loan for the advance payment for new commuter trains to the acquisition value 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 the income statement over the lease term on a straight-line basis.

SL as lessor

Assets held for operating leases are presented in the balance sheet according to the nature of the asset. Lease income is recognised over the lease term on a straight-line basis, while subsequent 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 included 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 removed from the balance sheet when the contractual rights are realised or expire or SL has relinquished control of the asset. A financial liability is removed from the balance sheet when the obligation specified in the contract is either discharged, cancelled, or expired.

Accounts receivable and loans

Accounts receivable and other receivables are subsequently measured at true value, in the amount in which they are expected to be received after deduction of doubtful debts assessed on a case-by-case basis. Impairment charges on accounts receivable are reported 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. Signing of agreements that are linked to a foreign currency create exposure to a foreign currency in relation to the domestic currency, which gives rise to currency risk. All foreign currency flows arising twelve months forward in time and/or involving an amount of more than SEK 1 million are hedged via SLL Internfinans. Derivatives are measured at cost.

Financial liabilities

All financial 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

Note 1 Net sales

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Ticket revenues	4,049	4,084	4,049	4,084
Operating subsidies from SLL	4,588	4,125	4,588	4,125
Increased traffic due to congestion charging trial	333	113	333	113
Total	8,970	8,322	8,970	8,322

Note 2 Other operating income

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Vehicle rental	1,299	1,230	23	24
Rental revenues	319	324	361	335
Government grants, etc. ¹⁾	213	106	213	106
Advertising revenues	108	97	108	97
Other	273	178	333	307
Total	2,212	1,935	1,038	869

1) See Note 24

Note 3 Intra-group income and expenses

The Parent Company's sales to other companies in the SL Group amounted to SEK 33 million (137), equal to 0.3% (1.5%) of operating income. Corresponding purchases from other companies in the SL Group totalled SEK 95 million (312), equal to 0.8% (3.3%) of the Parent Company's total operating expenses.

Note 4 Contracting costs

Contracting costs consist primarily of compensation to external transport contractors. This compensation is based on traffic agreements that run for several years and include compensation from SL to the contractors for rental of vehicles and depots from SL. SEK 96 million of the cost increase is attributable to the new agreements (primarily the Commuter train agreement). Added to this are SEK 20 million in costs due to postponed delivery of commuter train vehicles. SEK 273 million is explained by the traffic increase during the congestion charging trial, SEK 154 million by indexation of the agreements and at least SEK 65 million by investments in ethanol and biogas buses. Furthermore, there are costs for other traffic changes, including the full-year effects of the changes made in 2005.

Note 5 SL's increased traffic in connection with the congestion charging trial in Stockholm

The increased traffic started on 22 August 2005 and ended on 31 December 2006. Under an agreement, the Government compensates SL for additional costs arising from increased traffic in the public transport system in connection with the congestion charging trial.

The following items in the consolidated income statement have been attributed to the increased traffic:

	2006	2005 ¹⁾
Government compensation/ticket revenues from the increased traffic	482	118
Traffic production costs, net	-375	-104
Other costs	-25	-14
Liability to the Government	82	0
Reported as accrued expenses and prepaid income to the Government, see Note 25	-82	0
Total effect on profit	0	0

1) Items eliminated in the consolidated income statement for 2005.

For both 2006 and 2005, the information about the effects of the increased traffic on costs and revenues should be regarded as preliminary. An analysis is being made to determine the share of costs and ticket revenues attributable to the increased traffic and SL is currently in negotiations with the Government regarding this. The intention is for the Government to cover SL's additional costs attributable to the congestion charging trial, arising prior to, during and after the trial period.

On the infrastructure side, adaptations have been made in the depots, park-and-ride sites have been built and new buses purchased. The buses are lease financed and will after the congestion charging trial be used in SL's regular traffic and reported as assets in the Group. Other investments are financed by the Government according to the following and are eliminated in the balance sheet:

	31 Dec. 2006	31 Dec. 2005
Investments in depots, park-and-ride sites, etc. Invoiced and received from the Government	182	166
	-182	-159
Reported as accrued expenses and pre-paid income to the Government	0	7
Investments in leased buses, included in rolling stock in the Group but not the Parent Company	577	569
Accumulated depreciation according to plan	-73	-27
Residual value according to plan	504	542

Note 6 Exceptional expenses

Most of the annual payments to SJ (the Swedish State Railways) consist of compensation for older investments. The payment obligation has been established through arbitration. Continued use of the state railway system has not been deemed to have any connection to these payments. Part of the payments refer to the oldest commuter train vehicles, which were transferred to SL already in 1998. These are now subject to rapid replacement by new vehicles and cannot be assigned any residual value (28 of 94 vehicles are not longer in SL's possession). In light of the above and after renewed consideration together with SLL, SL has decided that the four remaining annual payments for "the old liability" should be expensed as a provision in the year's accounts. This amount, SEK 956 million, has been reported as an exceptional expense.

Note 7 Other operating expenses

The most significant expenses here refer to track maintenance (excluding Commuter train traffic), heavy maintenance of rolling stock and maintenance of properties (stations, depots, etc). Costs for track and vehicle maintenance have risen by around SEK 90 million in 2006 compared to 2005 (to nearly SEK 640 million). The cost of external services (such as extensive training activities for contractors), as well as advertising and PR campaigns, increased by SEK 63 million in 2006 compared to 2005.

According to an agreement with SJ, SL has the right to use the investments made by SJ in infrastructure and equipment for Commuter train traffic in the greater Stockholm area. The agreement runs until 2010 and is non-cancellable. The amount of annual compensation depends on the consumer price index and the Government's internal rate of return, and has not decreased appreciably between years. The agreement was entered into in 1995 after renegotiation to replace an earlier agreement in respect of the same investments, and gave SL the right to terminate the previous contracting agreement with SJ. The amount reported as "other operating expenses" in 2006 is SEK 333 million (337), and consists of capital costs for the older investments and for later investments financed by SJ. See also Note 6 above.

Note 8 Depreciation and write-downs of tangible and intangible fixed assets

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
<i>Depreciation/amortisation</i>				
Buildings and land	-210	-183	-210	-184
Track infrastructure	-238	-226	-238	-226
Rolling stock	-684	-560	-5	-51
Machinery and equipment	-65	-39	-64	-36
Construction in progress and advance payments	0	15	0	0
Total depreciation/amortisation	-1,197	-993	-517	-497
<i>Write-downs</i>				
Buildings and land	-11	0	-11	0
Total depreciation/amortisation	-11	0	-11	0
Total depreciation/write-downs and impairment charges on tangible and intangible fixed assets	-1,208	-993	-528	-497

Note 9 Interest income and similar items

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Interest income, non-group companies	22	46	20	15
Other financial income	45	31	3	0
Total interest income and similar items	67	77	23	15

The Group's other financial income includes periodised net income from US-based lease transactions and periodised capital gains on the sale of Light Rail carriages.

Note 10 Interest expenses and similar items

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Financial portion of pension liability	-8	-8	-8	-4
Interest on loans from SLL	-56	-65	-56	-65
Interest on finance leases, etc.	-213	-131	-	-
Interest fixing cost	-68	-80	-	-
Other financial expenses	-26	-6	-10	-6
Total interest expenses and similar items	-371	-290	-74	-75

Note 11 Appropriations

	PARENT COMPANY	
	2006	2005
Group contributions received	563	641
Shareholder contributions paid to subsidiaries	-30	-8
Total	533	633

Note 12 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
<i>Acquisition cost, 31 Dec. 2004</i>	174	6,664	8,107	9,395	1,905	11,300	745	3,943	30,933
The year's acquisitions	0	702	638	1,394	25	1,419	189	-639	2,309
Acquisition cost, sold/scrapped	-2	-24	-46	-1	-117	-118	-40	-1	-231
Changes in group structure/reclassifications	0	0	0	-113	83	-30	0	0	-30
<i>Acquisition cost, 31 Dec. 2005</i>	172	7,342	8,699	10,675	1,896	12,571	894	3,303	32,981
Accumulated depreciation acc. to plan 31 Dec. 2004	-167	-2,535	-1,374	-898	-1,211	-2,109	-515	0	-6,700
The year's depreciation acc. to plan	0	-183	-226	-430	-130	-560	-39	15	-993
Accumulated depreciation acc. to plan sold/scrapped	0	15	9	1	116	117	35	0	176
Changes in group structure/reclassifications	0	0	0	56	7	63	0	-15	48
<i>Accumulated depreciation acc. to plan 31 Dec. 2005</i>	-167	-2,703	-1,591	-1,271	-1,218	-2,489	-519	0	-7,469
<i>Accumulated government grants, 31 Dec. 2005</i>	-1	-1,030	-1,974	0	0	0	-127	0	-3,132
Residual value acc. to plan, 31 Dec. 2005	4	3,609	5,134	9,404	678	10,082	248	3,303	22,380

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

2) See Note 24 regarding government grants for construction in progress. Outstanding advance payments to suppliers have been secured by bank guarantees in accordance with SLL's finance policy.

	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
Acquisition cost, 31 Dec. 2005	172	7,342	8,699	10,675	1,896	12,571	894	3,303	32,981
The year's acquisitions	0	630	727	2,339	54	2,393	61	-366	3,445
Acquisition cost, sold/scrapped	0	-7	-62	-71	-81	-152	-117	0	-338
Changes in group structure/reclassifications	0	0	-208	0	0	0	0	242	34
Acquisition cost, 31 Dec. 2006	172	7,965	9,156	12,943	1,869	14,812	838	3,179	36,122
Accumulated depreciation, 31 Dec. 2005	-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
Accumulated depreciation, sold/scrapped	0	7	61	31	78	109	117	-	294
Changes in group structure/reclassifications	7	0	4	3	0	3	0	-	14
Accumulated depreciation, 31 Dec. 2006	-160	-2,906	-1,764	-1,829	-1,232	-3,061	-467	-	-8,358
The year's impairment charges	0	-11	0	0	0	0	0	-	-11
Changes in group structure/reclassifications	-7	0	0	0	0	0	0	-	-7
Accumulated impairment charges, 31 Dec. 2006	-7	-11	0	0	0	0	0	-	-18
Accumulated government grants, 31 Dec. 2006	-1	-1,030	-1,974	0	0	0	-127	-	-3,132
Residual value, acc. to plan 31 Dec. 2006	4	4,018	5,418	11,114	637	11,751	244	3,179	24,614

Tax assessment value ¹⁾ 31 Dec. 2006: SEK 146 million, of which land SEK 54 million. Tax assessment value ¹⁾ 31 Dec. 2005: SEK 158 million, of which land SEK 60 million.

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

2) See Note 24 regarding government grants for construction in progress. Outstanding advance payments to suppliers have been secured by bank guarantees in accordance with SLL's finance policy

Note 13 Fixed assets in the Parent Company

	Usufruct rights	Buildings and land ¹⁾	Track infrastructure	Total rolling stock	Plant and machinery	Construction in progress and advance payments ²⁾	Total fixed assets
Acquisition cost, 31 Dec. 2004	174	6,664	8,107	196	705	111	15,957
The year's acquisitions	0	703	637	0	187	1,316	2,843
Acquisition cost, sold/scrapped	-2	-24	-45	-46	0	-1	-118
Acquisition cost, 31 Dec. 2005	172	7,343	8,699	150	892	1,426	18,682
Accumulated depreciation, 31 Dec. 2004	-167	-2,535	-1,374	-67	-483	-	-4,626
The year's depreciation	0	-184	-226	-51	-36	-	-497
Accumulated depreciation, sold/scrapped	0	15	9	46	0	-	70
Accumulated depreciation, 31 Dec. 2005	-167	-2,704	-1,591	-72	-519	-	-5,053
Accumulated government grants, 31 Dec. 2005	-1	-1,030	-1,974	0	-127	0	-3,132
Residual value acc. to plan, 31 Dec. 2005	4	3,609	5,134	78	246	1,426	10,497

	Usufruct rights	Buildings and land ¹⁾	Track infrastructure	Total rolling stock	Plant and machinery	Construction in progress and advance payments ²⁾	Total fixed assets
Acquisition cost, 31 Dec. 2005	172	7,343	8,699	150	892	1,426	18,682
The year's acquisitions	0	630	727	24	61	572	2,014
Changes in group structure/reclassifications	0	0	0	0	0	-167	-167
Acquisition cost, sold/scrapped	0	-9	-270	-1	-117	0	-397
Acquisition cost, 31 Dec. 2006	172	7,964	9,156	173	836	1,831	20,132
Accumulated depreciation, 31 Dec. 2005	-167	-2,704	-1,591	-72	-519	-	-5,053
The year's depreciation	0	-209	-238	-6	-64	-	-517
Accumulated depreciation, sold/scrapped	0	8	65	1	117	-	191
Changes in group structure/reclassifications	7	0	0	0	0	-	7
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
Changes in group structure/reclassifications	-7	0	0	0	0	-	-7
Accumulated impairment charges, 31 Dec. 2006	-7	-11	0	0	0	-	-18
Accumulated government grants, 31 Dec. 2006	-1	-1,030	-1,974	0	-127	0	-3,132
Residual value acc. to plan, 31 Dec. 2006	4	4,018	5,418	96	243	1,831	11,610

Tax assessment value ¹⁾ 31 Dec. 2006: SEK 146 million, of which land SEK 54 million. Tax assessment value ¹⁾ 31 Dec. 2005: SEK 158 million, of which land SEK 60 million.

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

2) See Note 24 regarding government grants for construction in progress. Outstanding advance payments to suppliers have been secured by bank guarantees in accordance with SLL's finance policy

Note 14 Construction in progress and advance payments

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

	GROUP		PARENT COMPANY	
	31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005
Construction in progress				
Opening balance	2,107	2,453	1,294	100
The year's construction	1,504	994	1,751	2,721
Capitalised or expensed during the year	-1,372	-1,340	-1,289	-1,527
Total construction in progress	2,239	2,107	1,756	1,294
Advance payments				
Opening balance	1,196	1,490	132	11
The year's advance payments	444	20	29	132
Advance payments settled during the year	-700	-314	-86	-11
Total advance payments	940	1,196	75	132
Total construction in progress and advance payments	3,179	3,303	1,831	1,426

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. Of the total advance a sum of SEK 838 million (1,331) remains, of which SEK 427 million is a new advance paid in 2006 in respect of an add-on order for 16 extra trains in direct connection with the previous order for new commuter trains. The trains are being delivered at a pace of around two per month. 11 trains were delivered in 2005, 27 trains in 2006 and 33 trains will be delivered in 2007. The advance amounts to more than SEK 24 million of a total cost of around SEK 75 million per train, and is recognised on delivery of the respective train. Alstom Transport has furnished a bank guarantee for the paid advance.

Note 15 Shares and participations in subsidiaries and associated companies, etc.

Subsidiary	Corp. ID number	Domicile	No. of shares	Holding, % ¹⁾	Equity	Profit for the year	Book value at 31 Dec. 2006
AB SL Finans	556402-7166	Stockholm	1,000	100%	0.1	0	0.1
SL HR-Service AB	556402-7190	Stockholm	1,000	100%	0.1	0	0.1
SL Kundtjänst AB	556401-0022	Stockholm	561	56.1%	1.4	2.8	0.056
SL Infrateknik AB	556402-4684	Stockholm	1,000	100%	0.1	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%	0.1	0	0.1
Total shares and participations in subsidiaries							1.6

Total shares and participations in subsidiaries

Associated company, etc.	Corp. ID number	Domicile	No. of shares	Holding, % ¹⁾	Equity ⁴⁾	Profit for the year ⁴⁾	Book value at 31 Dec. 2006
Svensk Banproduktion AB	556571-9449	Stockholm	400	40%	38.9	11.4	11.8
AB Transitio	556033-1984	Stockholm	94,000	47%	20.1	0	9.4
Stockholms Terminal AB	556255-1928	Stockholm	400	40%	1.0	9.0	0.4
Tågja AB	556591-7233	Stockholm	1,000	33.3%	56.2	-	0
Busslink i Sverige AB	556473-5057	Stockholm	10,035	30%	65.0	20.4	0
Samtrafiken i Sverige AB ³⁾	556467-7598	Stockholm	30	2.12%	-	-	-
SLTF Resekortet i Sverige AB ³⁾	556691-8222	Stockholm	6,667	13.23%	-	-	-
Total shares and participations in associated companies, etc.							21.6

Total shares and participations in subsidiaries and associated companies, etc.

23.2

¹⁾ Holding = share of votes

²⁾ Dormant company

³⁾ Not an associated company

⁴⁾ Equity from closing balance for 2005, profit for the year based on partly preliminary figures.

Note 16 Shares in profit and equity of associated companies

	GROUP	
	2006	2005
Share in profit of associated companies ¹⁾	18	10
Share in equity of associated companies ¹⁾		
Svensk Banproduktion AB	23	16
Busslink i Sverige AB	0	0
Tågja AB	2	0
AB Transitio	17	17
Stockholms Terminal AB	1	1
Total share in equity of associated companies	43	34

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

Note 17 Cash and bank

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

	GROUP		PARENT COMPANY	
	31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005
Balance on group account	1,103	793	1,103	793
Other bank balances	79	57	72	50
Total	1,182	850	1,175	843

Note 18 Equity in the SL Group

	Share capital	Restricted reserves	Retained profit	Profit/loss for the year	Total equity
Equity according to the adopted balance sheet at 31 Dec. 2004	4,000	1,762	-323	98	5,537
Transferred to restricted reserves		13	-13		0
Transfer between restricted and non-restricted reserves		-14	14		0
Retained profit from 2004			98	-98	0
Repaid shareholder contribution			-118		-118
Profit for the year				340	340
Equity, 31 Dec. 2005	4,000	1,761	-342	340	5,759
	Share capital	Restricted reserves	Retained profit	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 ¹⁾		18	-18		0
Transfer between restricted and non-restricted reserves		2	-3		-1
Profit from 2005 carry forward			340	-340	0
Loss for the year				-955	-955
Equity, 31 Dec. 2006	4,000	1,781	-23	-955	4,803

1) Transfer to equity method reserve

Note 19 Equity in the Parent Company

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Retained profit	Profit for the year	
Equity according to the adopted balance sheet at 31 Dec. 2005	4,000	1	0	131	4,132
Transferred to the statutory reserve		13	-13		0
Profit from 2004 carry forward			131	-131	0
Repaid shareholder contribution			-118		-118
Profit for the year				440	440
Equity, 31 Dec. 2005	4,000	14	0	440	4,454

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Retained profit	Profit for the year	
Equity, 31 Dec. 2005	4,000	14	0	440	4,454
Profit from 2005 carry forward			440	-440	0
Loss for the year				-834	-834
Equity, 31 Dec. 2006	4,000	14	440	-834	3,620

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 36,111 million from SLL.

Note 20 Untaxed reserves

	GROUP	
	31 Dec. 2006	31 Dec. 2005
Accumulated depreciation in excess of plan	1,923	1,923
Total	1,923	1,923

Note 21 Provisions

Group	31 Dec. 2005	Utilised during the year	Reversal of un-utilised amount	The year's provision	31 Dec. 2006
Provision for pensions (Note 22)	208			18	226
Dispute regarding site leasehold rents	19				19
Estimated maintenance costs	467	-180		158	445
Restructuring reserve	41	-11		47	77
Certain payments to SJ	0			956	956
Contracted modification of carriages/ internal profit reserve	45				45
Installation reserve	62				62
Other	3	-16	-5	32	14
Total	845	-207	-5	1,211	1,844

Parent Company	31 Dec. 2005	Utilised during the year	Reversal of un-utilised amount	The year's provision	31 Dec. 2006
Provision for pensions (Note 22)	205			17	222
Dispute regarding site leasehold rents	19				19
Estimated maintenance costs	467	-180		158	445
Restructuring reserve	17	-6		47	58
Certain payments to SJ	0			956	956
Other	40	-7	-5	32	60
Total	748	-193	-5	1,210	1,760

Estimated maintenance costs starting in 2006 refer to underground carriages and the new commuter trains. The required provision is calculated on the useful life of the vehicles, 30 years.

The restructuring reserve refers to commitments to contractors (or their owners) arising in connection with streamlining of SL's buyer role or assurance of deliveries. Efforts are under way to adapt the structure for maintenance of rolling stock. Only a minor provision has been made for already specified requirements. Most of the current commitments are expected to be wound up within a three-year period.

The provision for **payments to SJ** refers to estimated payments during the period from 2007 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 6.

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 22 Provisions for pensions

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

	31 Dec. 2006	31 Dec. 2005
AB SL	222	205
SL HR-Service AB	4	3
Total	226	208

The pension liabilities for the SL companies have been computed according to the PFA-SL pension agreement. SL signed a new pension agreement in January 2007 for which the effects have not yet been calculated by KPA. However, the future liability may be affected by changed interest rate and mortality assumptions. The year's past service costs are not included in the provision but are reported as a current liability. Costs for pension commitments arising prior to 1992 are reported by, and charged to, SLL. This pension liability, referring to the current SL Group, amounted to SEK 696 million (694) according to KPA's calculations at 31 December 2006.

Note 23 Maturity structure of long-term liabilities

Of long-term loans from SLL, a sum of SEK 1,502 million (1,060) will mature for payment later than five years after the balance sheet date. Of other long-term liabilities, a sum of SEK 8,980 million (7,426) 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 24 Long-term pre-paid income

Long-term pre-paid income consists of government grants for investments, which are periodised in the income statement over the useful life of the fixed assets. Government grants in the Parent Company that have not yet been recognised in the income statement amounted to SEK 3,548 (3,392) at 31 December 2006. Of this amount, SEK 2,569 million (2,393) refers to subsidies for investments in fixed assets and the remainder to subsidies for vehicles.

Note 25 Significant periodised items

	GROUP		PARENT COMPANY	
	31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005 ¹⁾
Pre-paid expenses	168	86	166	105
<i>Of which,</i>				
insurance	17	15	17	15
rents	10	-	9	0
lease payments	1	-	-	-
<i>contracting costs</i>				
underground	12	8	12	8
bus	1	39	1	35
commuter train	86	24	86	0
other	41	-	41	47
Accrued income	66	129	63	129
<i>Of which,</i>				
traffic revenue	13	37	13	37
contract revenue	38	71	38	71
rental revenue	9	7	9	7
other	6	14	3	14
Prepaid expenses and accrued income	234	215	229	234
Pre-paid income	651	547	86	16
<i>Of which,</i>				
sold tickets	5	6	5	6
unrecognised				
financial income	565	540	-	-
rents	0	1	-	1
congestion charging	82	0	82	8
other	-1	0	-1	1

	GROUP		PARENT COMPANY	
	31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005 ¹⁾
Accrued expenses	259	313	162	203
<i>Of which,</i>				
social security expenses and payroll tax	14	17	12	12
wind-up costs	6	6	6	6
underground traffic	16	18	16	18
commuter train traffic	2	12	2	12
bus traffic	24	34	24	34
interest expenses	81	77	0	0
other contract costs	86	149	84	121
other	30	0	18	0
Accrued expenses and pre-paid income	910	860	248	219

1) In the Parent Company, the balance sheet items at 31 December 2006 have been adjusted compared to the previous year's reported balance sheet with respect to the congestion charging trial.

Note 26 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 12, under leased rolling stock. The total lease liability amounts to SEK 11,445 million (9,581), of which SEK 10,989 million (9,194) is reported as a long-term liability and the coming years' depreciation of SEK 456 million (387) 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 213 million (131), corresponding to the interest component of the lease charges, and as depreciation of SEK 592 million (430). Starting in 2005, straight-line depreciation is also applied for leased vehicles.

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 3.4%. The specified payments refer to leases for carriages and buses:

Group	Minimum lease payments		Present value
	incl. purchase option		
2007		892	862
2008–2011		3,437	3,063
2012 and later		11,892	8,353

Operating leases where SL is lessee

The specified payments refer to leases for carriages.

Parent Company	Minimum lease payments	
	incl. purchase option	
2007		12
2008–2011		50
2012 and later		177

In earlier years, rental of previously sold carriages from AB Transitio by SL was reported as an operating lease, even in the SL Group. As of 2005, the Group reports the carriages as owned by the Group. These changes have affected the consolidated financial statements, but not the accounts of the individual companies. In the consolidated income statement, this change has resulted in an increased depreciation cost of SEK 27 (20) million.

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. 2006	14,812
The period's depreciation	-684
Accumulated planned depreciation, 31 Dec. 2006	-3,061

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 3.4 %.

Group	Minimum lease payments
2007	1,300
2008–2011	3,067
2012 and later	365

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 27 Pledged assets and contingent liabilities

Surety of SEK 23 (23) million 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 22). SLL also provides surety for these.

Note 28 Salaries and remuneration and number of employees

Personnel costs

Salaries and remuneration (see spec. below)	2006	2005
Board and Managing Director	6	4
Others	236	204
	242	208
Social security expenses (see spec. below)	118 ¹⁾	98 ¹⁾
Other personnel costs	23	18
	141	116
Total Group	383	324

1) Of which, pension costs for the Board and Managing Director amounted to SEK 1.2 million (0.6).

Note 28 Cont'd

Salaries and other remuneration and social security expenses (SEK million)	Total salaries and other remuneration		Social security expenses	
	2006	2005	2006	2005
Parent Company	189	100	95	46
(of which, pension costs)			(26)	(9)
Subsidiaries	53	108	23	52
(of which, pension costs)			(4)	(13)
Total Group	242	208	118	98
(of which, pension costs)			(30)	(22)

Salaries and other remuneration

(SEK million)	Board and MD		Other employees	
	2006	2005	2006	2005
Parent Company	4.2	1.8	185.1	98.2
Subsidiaries	1.3	2.2	51.0	105.8
Total Group	5.5	4.0	236.1	204.0

Average number of employees (during the year)	Total		Of whom, women	
	2006	2005	2006	2005
Parent Company	414	250	132	98
Subsidiaries	153	299	53	74
Total Group	567	549	185	172

Number of employees at 31 December	Total		Of whom, women	
	2006	2005	2006	2005
Parent Company	500	476	178	159
Subsidiaries	222	131	78	52
Total Group	722	607	256	211

Gender distribution	2006		2005	
	Total	Of whom, women	Total	Of whom, women
Board	9	5	9	6
Replacements	9	3	9	3
Executive management including co-opted members	9	4	16	8
Senior executives in subsidiaries	2	1	2	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	
	2006	2005	2006	2005
Sickness absence for women	7.9	7.7	7.5	6.4
Sickness absence for men	5.0	4.2	4.5	3.3
Sickness absence for employees 29 years or younger	5.0	4.5	2.2	1.5
Sickness absence for employees 30–49 years	5.0	4.1	4.1	3.8
Sickness absence for employees 50 years or older	7.4	6.9	7.3	5.5
Total sickness absence	6.0	5.4	5.5	4.6

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

	2006		2005	
	2006	2005	2006	2005
Sickness absence for women, 60 days or more	4.6	4.9	5.1	4.1
Sickness absence for men, 60 days or more	2.8	2.0	2.9	1.6
Total sickness absence for 60 days or more	3.4	3.0	3.6	2.6

Benefits of senior executives:

Salaries and remuneration to the Board and the Managing Director of AB SL in 2006 were paid in an amount of SEK 4,234 thousand (1,801), of which the Managing Director received SEK 3,685 thousand (1,202). Of AB SL's total pension costs, a sum of SEK 1,157 thousand (640) refers to the Board and the Managing Director.

Lennart Jangälv left his post as Managing Director on 14 December 2006 and was replaced on 14 December 2006 by Acting Managing Director Lars Nordstrand. On 1 January 2007, Ingemar Ziegler took up duties as Managing Director.

Pension agreement with the retiring Managing Director: The pension terms correspond to the PFA-SL agreement. 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, the 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. Provisions have been made for termination benefits and are included in salary and remuneration to the Board and the Managing Director and among pension costs.

Note 29 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	
	2006	2005	2006	2005
Ernst & Young	523	584	2,099	918
County auditors	–	–	–	–
Total	523	584	2,099	918

Note 30 Funds under special management

Funds under special management by AB Storstockholms Lokaltrafik contain the following capital values:

Amounts in SEK thousands	31 Dec. 2006	31 Dec. 2005
Fränckelska fonden	17	17
L G Ågrens understödsfond	11	11
Söderberg - Wickströms fond	34	34

These are not reported in the balance sheet.

Note 31 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 2006, SL had entered into interest rate swaps for a total of SEK 3,700 million (3,400). The market value at 31 December 2006 was negative, at SEK –28.3 million (–186.7). The fair value of the interest rate swaps is therefore lower than their book value. 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. 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, 34 (28) carriages had been hedged for a total value of SEK 1,514 million (1,270). Advance payments for all 71 (55) carriages have already been paid in euro. Outstanding advance payments on the balance sheet date at 31 December 2006 were equal to SEK 838 million (1,331).

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, and are therefore associated with interest rate risk. If interest rates increase, this will have a negative effect on the Group's costs and cash flow. To offset this effect, SL has entered into a number of interest rate swaps during 2004–2006 for a total value of SEK 3,700 million in order to thereby achieve a longer fixed interest period and avoid undesired high interest rate exposure. At year-end 2006, the average fixed interest period was 2.5 years (2.2). The swap contracts have cost SEK 68 million (80). An interest rate swap is a capital market instrument through which SL binds itself to pay a fixed rate of interest while the counterparty binds itself to pay SL's variable interest for the contractual amount.

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 agreements with SLL, leases or government grants.

Note 32 Related party transactions

Subsidiaries

Sales of services and products between companies in the SL Group are carried out at cost. As of 2006, 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. After restructuring in 2005, SL Infrateknik AB took 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 in 2006 (SEK million)

Subsidiary	Sales to	Purchase from	Receivables from	Liabilities to
AB SL Finans	15	0	336	210
SL HR-Service AB	5	65	11	23
SL Kundtjänst AB	4	30	0	6
SL Infrateknik AB	9	0	1,335	395
Total	33	95	1,682	634

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, Tågja and Svensk Banproduktion run for a period of three years. The maintenance agreement with Tågja is a framework agreement with a term of three years and an option for a two-year extension.

Transactions between subsidiaries and associated companies in 2006 (SEK million)

Associated company	Sales to	Purchase from	Receivables from	Liabilities to
Busslink i Sverige AB	162	1,620	3	202
Svensk Banproduktion AB	7	139	1	57
AB Transitio	1	0	3	0
Tågja AB	116	97	24	88
Stockholm Terminal AB	0	0	0	0
Total	286	1,856	31	347

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 0.8% (0.3%) of the sales pertain to other companies and units in the Stockholm County Council.

Other

See also presentation of SL's Board and Executive Management and Note 28, which provides information about remuneration to senior executives. Information about pension obligations is provided in Note 22 "Provisions for pensions" and in Note 28 "Salaries and remuneration and number of employees."

Audit report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board and the Managing Director of AB Storstockholms Lokaltrafik for the financial year 1 January 2006 – 31 December 2006. 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 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 and the Managing Director and significant estimates made by the Board 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 and the Managing Director be discharged from liability for the financial year.

Stockholm, 13 March 2007

Ernst & Young AB

Magnus Fagerstedt

Authorised Public Accountant

Review report for AB Storstockholms Lokaltrafik 2006

We, the lay accountants appointed by the Stockholm County Council, have examined the activities of AB Storstockholms Lokaltrafik for the financial year 2006.

The Board and the Managing Director are responsible for ensuring that the company's activities are conducted in accordance with the current articles of association, the directive 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 City 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 2006. Our review was performed with the focus and scope necessary to provide a reasonable basis for assessment and examination, and has resulted in the outcome described in the attached 2006 annual report for AB Storstockholms Lokaltrafik, SL.

We once again direct criticism towards management of the company's operations, with regard to quality and punctuality in public transport and control in the safety and security area. Furthermore, the Board's procedures for decision-making and provision of information need to be looked over. Management and control in the IT area should also be improved, as should the degree of clarity in the Board's decision-making authority in relation to the City Council.

After consultation with the authorised public accountant and in view of the shortcomings described above, we do not feel that the company's operations have been managed in a fully appropriate and satisfactory manner. Moreover, it is our opinion that the company's internal control has been ineffective in important respects.

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

Stockholm, 28 March 2007

Ulf Uebel

Gunilla Jerlinger

Britta Båvner

Göran Dahlstrand

Lars Nordqvist

Tyrgils Saxlund

Attachment: 2006 annual report for AB Storstockholms Lokaltrafik ¹⁾

¹⁾ not attached here

Operating figures

MARKET	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Population of Stockholm County (thousands of residents)										
Population	1,918	1,890	1,873	1,861	1,850	1,839	1,823	1,803	1,783	1,763
Number of passenger cars in Stockholm County (thousands)										
Passenger cars	769	759	754	746	738	730	716	680	644	620
Public transport share (%)										
Average at city entrance point, 6 a.m. – 9 p.m.	61	61	59	58	59	58	58	58	57	57
Average at city entrance point, rush hour	75	75	73	73	73	74	74	74	73	72
Ticket sales (SEK thousands)										
30-day card including Bålsta/Arlanda	3,792	3,950	3,811	3,904	4,012	4,050	4,080	3,733	3,624	3,347
Season card	213	225	225	227	226	247	272	298	338	403
Annual card	1	1	1	2	2	4	2	3	5	6
7-day card	82									
Discount coupons	57,882	172,319	167,441	161,288	162,630	147,110	131,880	147,449	142,144	135,851
Cash coupons	4,506	12,720	14,824	24,640	27,129	37,164	41,643	41,075	39,221	36,047
Single fare tickets, SEK 20/10	32,427									
10 prepurchased single fare tickets, SEK 180/90	3,107									
Single fare tickets incl. prepurchased	63,497									
Complete journeys (millions)										
<i>A complete journey can consist of several boardings.</i>										
Total	410	387	386	389	390	391	389	383	379	374
Boardings, by transport type (millions)										
<i>Boardings in this context are defined as partial journeys. A complete journey with one transfer is equal to two boardings.</i>										
Underground	297	276	278	279	282	283	284	273	269	263
Commuter train	64	63	62	63	64	64	61	66	63	62
Local trains	32	30	29	27	25	25	22	18	17	17
Bus	267	254	253	258	256	258	259	260	261	258
Total	660	623	622	627	627	630	626	617	610	600
Boardings on a typical weekday, by transport type (thousands)										
Underground	1,071	1,016	1,016	1,012	1,034	1,032	1,042	995	979	
Commuter train	230	229	225	230	232	231	218	235	223	
Local trains	114	107	104	100	92	90	81	66	63	
Bus	968	925	914	931	931	929	934	939	942	
Total	2,383	2,277	2,259	2,273	2,289	2,282	2,275	2,235	2,207	
– of which, boardings on a typical weekday in the increased traffic due to the congestion charging trial										
Total	22	10								
Passenger km, by transport type (million)										
Underground	1,657	1,541	1,556	1,558	1,578	1,581	1,588	1,526	1,505	1,496
Commuter train	1,141	1,114	1,103	1,127	1,146	1,140	1,093	1,164	1,112	1,072
Local trains	222	218	214	205	197	201	189	176	168	165
Bus	1,635	1,534	1,516	1,525	1,509	1,494	1,499	1,479	1,466	1,455
Total	4,655	4,407	4,389	4,415	4,430	4,416	4,369	4,345	4,251	4,188

The figures above include the additional traveller volume arising from increased traffic due to the congestion charging trial.

Punctuality (% of departures on time)		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Underground		91.0	93.1	92.8	91.2						
<i>Of which</i>	Green Line	87.8	89.9	89.5	87.6	87.2	84.6	81.3	79.5	80.9	
	Red Line	92.9	95.1	94.9	92.7	90.9	92.0	95.5	95.7	95.6	
	Blue Line	95.9	97.4	97.7	98.5	98.8	97.3	98.0	94.9	96.2	
Commuter train		81.1	83.3	86.4	87.3	85.7	83.2	74.8	87.8	89.5	
– excl. disruptions caused by Banverket		94.3	94.6	94.5	95.9	96.1	95.0	¹⁾	¹⁾	¹⁾	
Roslagen suburban railway		93.5	93.9	94.7	93.9	92.7	89.5	93.4	95.7	95.8	
Lidingö suburban railway		95.0	96.1	96.1	96.9	97.1	97.9	²⁾	99.3	99.1	
Light Rail		97.7	98.2	98.4	96.1	96.6	99.3	²⁾	99.2		
Nockeby light rail		99.1	98.2	98.7	98.7	98.2	98.6	²⁾			
Saltsjö suburban railway		94.1	92.1	95.0	94.6	92.9	94.7	²⁾	98.5	98.4	
Bus		91.5	91.9	91.4	91.4	90.6					
<i>Of which</i>	northern region	95.9	96.4	95.8	96.0	95.9	95.3	97.0	97.1	97.0	
	central region	88.6	89.3	88.8	88.7	87.8	85.5	86.0	87.8	87.0	
	– of which, inner-city	84.3	84.8	83.7	84.1	82.8	79.9	80.0	82.1	78.0	
	southern region	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)		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Underground		2.0	2.2	0.7	0.7						
<i>Of which</i>	Green Line	1.3	2.4	0.8	0.8	0.7	0.5	0.6	2.1	1.5	
	Red Line	3.3	3.0	0.8	0.8	1.2	0.8	0.5	0.7	0.5	
	Blue Line	1.3	0.8	0.5	0.4	0.4	0.5	0.5	0.5	0.3	
Commuter train		2.7	1.7	1.4	1.1	1.7	1.6	13.0	0.7	0.2	
Roslagen suburban railway		0.7	0.6	0.6	0.6	1.9	3.5	0.8	0.4	0.2	
Lidingö suburban railway		1.1	0.9	0.4	0.1	0.3	0.1	0.1	0.1	1.0	
Light Rail		1.0	0.5	0.1	0.4	0.2	0.0				
Nockeby light rail		0.2	0.5	0.2	0.1	0.2	0.1	0.6	0.4	1.0	
Saltsjö suburban railway		0.6	2.2	0.3	0.2	0.2	0.1	3.6	0.0	1.0	
Bus		0.4	0.3	0.2	0.2						
<i>Of which</i>	northern region	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	
	central region	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.4	1.0	
	– of which, inner-city	0.7	0.4	0.3	0.3	0.4	0.4	0.3	0.4		
	southern region	0.4	0.2	0.1	0.1	0.4	0.1	0.1	0.1		

1) Excluding effects of labour strike.

Traffic delays (more than 10 minutes)		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>Of which</i>	Green Line	226	201	281	325	362	395	372	453	398	295
	Red Line	199	231	282	339	369	305	265	227	272	257
	Blue Line	90	93	84	98	67	89	56	39	31	40
Total		515	525	647	762	798	789	693	719	701	592

Share of satisfied travellers and county residents (%)		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Share of satisfied travellers (SL onboard)		64 ²⁾	64	66	64	61	59	56	¹⁾	69	79
Share of dissatisfied travellers (SL onboard)		15 ²⁾	15	13	15	17	19				
Share of satisfied travellers (SLTF) ³⁾		61	62	58	58	53	55				
Share of dissatisfied travellers (SLTF) ³⁾		9	8	9	8	12	10				
Share of satisfied county residents (SLTF) ³⁾		55	56	51	53	49	52	46			
Share of dissatisfied county residents (SLTF) ³⁾		11	10	11	11	10	14	11			

1) No survey taken.

2) Refers to the autumn survey in October, as in earlier years. New monthly surveys in November and December showed declining values, 62% and 17% in December.

3) Refers to the average for the year. No survey is taken during July and December.

PRODUCTION		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Seat km, by transport type (millions)											
Underground		4,502	4,258	4,304	4,253	4,270	4,236	4,168	4,209	4,110	4,083
Commuter train		4,620	4,270	4,208	4,033	3,921	3,442	3,310	3,491	3,465	3,469
Local trains		941	917	840	882	815	830	747	717	703	718
Bus		5,723	5,614	5,503	5,525	5,651	5,493	5,407	5,088	5,182	4,997
Total		15,786	15,059	14,855	14,693	14,657	14,001	13,632	13,505	13,460	13,267

– of which, in SL's increased traffic due to the congestion charging trial

	2006	2005
Underground	231	73
Commuter train	376	140
Local trains	81	30
Bus	380	131
Total	1,068	374

1) Adjusted figure

Number of vehicles in SL's fleet, by transport type	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Transport vehicles at 31 December. The vehicles are owned by the SL Group, contractors or lessors.										
Underground carriages, older	264	277	277	302	415	543	685	759	873	873
Vagn 2000 ¹⁾	271	271	271	264	215	165	115	67	24	6
Commuter train carriages, older ²⁾	234	286	331 ³⁾	337 ²⁾	314	309	292	292	292	292
New commuter trains	38	11								
Suburban railway/light rail carriages	188	187	187	187	187	177	174	175	163	163
Buses	1,924 ⁴⁾	1,915	1,761	1,786	1,797	1,730	1,674	1,727	1,683	1,676
Total	2,919	2,947	2,827	2,876	2,928	2,924	2,940	3,020	3,035	3,010

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 (286) are coupled in pairs to train units or vehicles. A full-length train consists of eight old carriages or two new commuter trains.

3) Including 45 German carriages coupled to 15 Olympia trains.

4) 379 ethanol buses, 30 biogas buses and 1,215 low floor buses.

FINANCES AND INVESTMENTS	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Ticket revenues, net expenses and operating subsidies in current prices (SEK M) ¹⁾										
Ticket revenues	4,049	4,084	3,818	3,329	3,405	3,227	2,907	2,574	2,574	2,482
Net expenses including profit	8,637	8,209	7,638	7,190	7,001	6,541	5,919	5,742	5,551	5,308
Operating subsidies, SLL	4,588	4,125	3,820	3,861	3,596	3,314	3,012	3,168	2,977	2,826

Ticket revenues, net expenses and operating subsidies in 2006 prices (SEK M) ¹⁾	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Ticket revenues	4,049	4,140	3,886	3,403	3,548	3,434	3,170	2,834	2,846	2,742
Net expenses including profit	8,637	8,321	7,774	7,349	7,294	6,960	6,454	6,323	6,138	5,864
Operating subsidies, SLL	4,588	4,181	3,888	3,946	3,746	3,526	3,284	3,489	3,292	3,122

Ticket revenues, net expenses and operating subsidies per complete journey in 2006 prices (SEK) ¹⁾	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Ticket revenues	9.88	10.69	10.07	8.75	9.09	8.78	8.15	7.40	7.51	7.33
Net expenses including profit	21.07	21.49	20.15	18.90	18.70	17.80	16.59	16.51	16.20	15.68
Operating subsidies, SLL	11.19	10.8	10.08	10.15	9.61	9.02	8.44	9.11	8.69	8.35

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 that is not covered by ticket revenues, known as "conditional contributions" until the end of 2002.

Operating subsidies per tax krona (SEK)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Of each taxable SEK 100, this amount goes to SL.										
Operating subsidies/tax krona	1.30	1.22	1.15	1.17	1.18	1.19	1.17	1.35	1.33	1.31

Tax funding ratio (%)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Operating subsidies divided by the sum of operating subsidies, ticket revenues, advertising revenues and external rental revenues.										
Tax funding ratio	52.0	49.2	49.0	52.5	50.3	49.6	49.7	53.9	52.7	52.1

Gross expenditure in current prices (SEK M)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
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	3,445	2,309	1,834	2,413	4,733	2,884	2,554	2,427	2,260	1,946

Ticket revenues per ticket type in current prices (SEK M)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Card ¹⁾	2,401	2,502	2,347	2,078	2,131	2,027	1,803	1,602	1,611	1,598
Discount coupons	322	1,063	976	755	760	683	575	536	530	504
Cash coupons	64	180	194	232	257	293	297	258	245	227
Other ticket types	1,262	339	301	264	257	224	232	178	188	153
Total	4,049	4,084	3,818	3,329	3,405	3,227	2,907	2,574	2,574	2,482

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.

Price for period card (SEK)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	october 1971
Monthly card until end of 1996. 30-day card as of 1997.											
In current prices	600	600	600 ²⁾	500	500	500 ¹⁾	450	400	400	400	50
In 2006 prices	600	608	611	511	521	532	491	440	443	442	394
In 1971 prices	96	97	97	82	83	85	78	70	71	71	50

1) From 1 September 2001 2) From 1 March 2004

Board, auditors and corporate governance



Chairman since 2007
Christer G Wennerholm (m)*, born in 1953,
County Commissioner, Public Transport



First Vice Chairman since 2007
Lennart Rohdin (fp)*, born in 1947,
Former member of Swedish Parliament



Second Vice Chairman since 2007
Lars Dahlberg (s)*, born in 1962
County Commissioner



Board member since 2007
Yvonne Blombäck (mp)*, born in 1957
Self-employed



Board member since 2007
Gun Eriksson (s)*, born in 1948
Vice Chairman Municipal Council, Sigtuna



Board member since 2007
Johan Sjölander (s)*, born in 1973
Political Secretary



Board member since 2007
Jan Stefanson (kd)*, born in 1953
Managing Director



Board member since 2007
Nanna Wikholm (s)*, born in 1977
Civil Engineer



Board member since 1999
Charlotte Broberg (m)*, born in 1968
City Commissioner Secretary

Annual General Meeting

The latest AGM, held on 20 June 2006, adopted the income statement and balance sheet for the 2005 financial year. At the same time, the AGM granted the Board and the Managing Director discharge from liability for their management during the 2005 financial year.

Articles of Association and owner directives

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."

The AGM has approved the general owner directives established by the Stockholm County Council and SL is thereby obligated to comply with all policies adopted by SLL.

The Stockholm County Council must be given the opportunity to take a position on matters of fundamental importance or otherwise of major significance before SL makes a decision on such matters.

Board

The Stockholm County Council appoints regular Board members, deputy Board members and lay accountants for AB SL, while the company's Auditor-in-Chief and Deputy Auditor are chosen 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, 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 foremost task of the Board is to conduct the company's business in such a way as to ensure that the interests of its owners are served in the

best possible manner. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance duties. The Board's powers and duties are regulated in the Swedish Companies Act and the Articles of Association.

In 2006 the Board consisted of Anna Kettner (s)*, Chairman (between 2003 and 2006), Gertrud Brorsson (mp)*, First Vice Chairman, Maria Wallhager (fp)*, Second Vice Chairman, Måns Almqvist (v)*, Charlotte Broberg (m)*, Staffan Holmberg (s)*, Lennart Kalderén (m)*, Christina Lyngå (s)* and Michael Stjernström (kd)*. Following the 2006 AGM, the Board held five scheduled meetings during the period until year-end 2006. In 2007, up to the adoption of this annual report, the Board held three scheduled 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 Under-



Board member since 2007
Cathrin Bergensträhle (m)*, born in 1960
 Social Worker



Board member since 2007
Tage Gripenstam (c)*, born in 1955
 Municipal Commissioner, Södertälje

Auditor-in-Chief

Magnus Fagerstedt
 Authorised Public Accountant
 Ernst & Young since 2003

Lay Accountants

Ulf Uebel (fp)*
 Gunilla Jerlinger (s)*
 Göran Dahlstrand (s)*
 Tyrgils Saxlund (m)*
 Lars Nordqvist (kd)*
 Britta Bävner (v)*



Board member since 2006
Lennart Kalderén (m)*, born in 1958
 Municipal Commissioner, Salem



Board member since 2007
Peter Kockum (m)*, born in 1941
 Director

Employee Representatives

Wivianne Ling SKTF
 Lennart Hallgren SACO

* fp = Liberal Party

s = Social Democratic Party

m = Moderate Party

kd = Christian Democratic Party

v = Leftist Party

mp = Environmental Party



ground. In addition, overall strategic matters such as SL's future focus and visions have been analysed.

As of 2007, a new Board has been appointed following the national elections in autumn 2006, see above.

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. The Board Chairman is responsible for ensuring that the Board carries out its duties in an organised and efficient manner and for monitoring the Group's development, and that the other Board members are continuously provided with the information required to carry out their duties with consistently high quality and in accordance with the Swedish Companies Act.

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 ensure 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.

Lennart Jangälv was Managing Director of SL from November 2003 to December 2006. As of 1 January 2007, 1 Ingemar Ziegler is Managing Director of SL.

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 52. This is a consulting group 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 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.

Executive Management



Ingemar Ziegler
Managing Director. Employed by SL since 2007.
Other assignments: Board member of 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.



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.



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.



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



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



Björn Holmberg
Public Relations Director since 2006.
Employed by SL since 1988.
Mode of travel to work: Bus 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.



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.



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.



Maria Sedolin
Financial Director since 2005.
Employed by SL since 2005.
Mode of travel to work: The Underground's Red and Blue Lines.

Björn Dalborg
Chief of Staff and Board Secretary since 2006.

The Underground art gallery

The Stockholm Underground was opened in 1950 but already during the actual construction of this grand expression of modernism, a group of artists started to become involved in the planning process. Why not make the journey into an experience and not just a means of transport?

People needed something more than naked walls of rock to look at and be inspired by. The obvious answer was art, which was also believed to be an effective way of discouraging vandalism.

Sculptures, mosaics and paintings

The energy and dedication of artists Siri Derkert and Vera Nilsson resulted in two motions that were submitted to the Stockholm City Council in 1955. One of these contained the following lines:

"It may not be possible to transform every Underground station into an enchanted castle. But painters and sculptors, ceramicists and craftsmen, working side-by-side with architects and engineers, should be given the chance to create beautiful spaces and stimulating environments in the stations in general and to make one or two of the main stations into Underground cathedrals, a fanfare of colour and rhythm."

All of the political parties voted in favour of the motions and a competition for decoration of the Klara station, today's T-Centralen, was announced on 28 March 1956. The jury members included well known artists like Sven X-et Erixon and Bror Marklund but the final decision was made by the then public transport operator, which placed rigorous requirements on durability of the artworks and their ability to withstand the Underground's harsh environment.

Over the next few years, a large number of proposals were realised on T-Centralen's upper platform and in the ticket halls. The initiative was a huge success and work continued. Today, the art

The French author Émile Zola once said:

"A work of art is a corner of nature seen through a temperament."

exhibit in Stockholm's Underground system has grown into the world's largest, with a total length of 110 km! Nearly 90 of SL's 100 Underground stations contain sculptures, mosaics and paintings displayed against a dramatic backdrop of natural rock caverns.

Considerable international attention

Some 140 artists have contributed to the permanent exhibits in Stockholm's Underground system and another two hundred or so have provided temporary installations. Every year, SL invests tens of thousands of kronor to preserve and develop these works of art, which have also gained considerable attention internationally. In the vast web of people, movement and sensory impressions in the Underground, this art serves as focal point and connecting thread.

The sculpture "My Friend" is located at the Norsborg Underground station. Artists: Eva and Peter Moritz. Photo: Hans Ekestang.



Silicone sculptures between glass at T-Centralen. Artist: Roland Persson. Photo: Hans Ekestang.



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 suburban 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 Light Rail 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 Light Rail is extended to Sickla Udde. **2005** The new X60 commuter trains are introduced. **2006** SL participates in Stockholm's trial implementation of congestion charging.



The Stockholm Transport Museum is open weekdays 10 a.m. to 5 p.m. Saturdays, Sundays and Holidays 11 a.m. to 4 p.m. The museum is located in Söderhallen at Danvikstull, address: Tegelviksgatan 22. Bus no. 2 from Slussen. www.sparvagsmuseet.sl.se

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 auto-mated 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

Most widely used entrances to the inner-city.

Complete journey

A traveller journey from start to finish including transfers.

Passenger km

The number of paying travellers multiplied by the distance travelled by these travellers in kilometres.

Punctuality

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

Satisfied county residents

Surveys conducted by SLTF (the Swedish Public Transport Association) ten times per year through telephone interviews with approximately 500 county residents each time.

Satisfied travellers

Semi-annual surveys conducted by SL through an onboard questionnaire to 20,000 travellers 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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SL Customer Service

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Corporate identification no. 556401-0022

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