

Nasdaq Stockholm AB
556420-8394

Annual Report

for the fiscal year 2018-01-01 - 2018-12-31

The Board of Directors and CEO of Nasdaq Stockholm AB hereby submit the following annual report.

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Registered office of the Board: Stockholm

Company's accounting currency: Swedish kronor (SEK).

All amounts are stated in thousands of Swedish kronor (SEK 000s) unless otherwise indicated.

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Administration report

Information about operations

Nasdaq Stockholm AB conducts authorized stock exchange operations under the supervision of the Swedish Financial Supervisory Authority (FI). The company's business concept is to provide trading, market listing and information services, as well as other related services for equity, power and fixed-income products. Through the provision of these services, the company meets the market's needs for capital, market valuations, placement opportunities and risk management.

Products and services

The company's product niche is to provide an efficient, liquid and credible marketplace for issued financial instruments. Equities, premium bonds, convertibles, warrants, bonds, subscription rights and exchange-traded funds (ETFs) are traded on Nasdaq Stockholm AB. The company also offers trading in Swedish, Norwegian, Finnish and Danish stock options, index options, energy derivatives and fixed-income derivatives, as well as stock futures and index futures.

Customers

The company's market is Europe with particular focus on the Nordic region, the United Kingdom and the Baltic countries. Customers can be divided into three groups:

• Members

Swedish banks and foreign banks and securities companies, power generation companies and energy brokerage firms trading on their own or their customers' account.

• Issuers

Swedish and foreign issuers of equities, fund units, bonds, fixed-income products and warrants.

• Information distributors

Swedish and foreign distributors of market information.

Members

The member network has expanded considerably during the last decade, primarily as a consequence of the initiative to recruit remote members. Many operators have memberships for both cash and derivative products. In total, Nasdaq Stockholm had 134 (133) members at December 31, 2018. In 2018, there were 4 new members and 3 membership expired.

Issuers

Nasdaq Stockholm primarily lists equities, warrants and bonds, but also other types of securities. Listing is determined by the Listing Committee, which is a specially appointed committee comprising a number of independent committee members. At December 31, 2018, the total number of companies listed in the primary market amounted to 333 (321).

Information distributors

Nasdaq Stockholm sells trading information to Swedish and foreign information distributors. These, in turn, distribute the information to the end user. Information distributors include companies such as Thomson Reuters, Bloomberg, SIX and Ecovision. A number of members also distribute price information via the Internet to their own online trading services.

Risk management

Risk management Nasdaq Stockholm manages risks attributable to its operating activities. The risks that arise due to the nature of the company's stock market-related operations are limited and mainly comprise operational risks and normal credit risk and counterparty risks. Nasdaq Stockholm has established a comprehensive Enterprise Risk Management (ERM) process that enables all types of risks (with a significant focus on operational risks) to be identified and assessed based on both their probability and potential effect, as well as an action plan for reducing these risks.

Investing activities

The credit risk arising from interest-bearing investments are managed by an investment policy established by the Board of Directors, which stipulates that investments are to be made either in securities issued by external borrowers with a good credit rating, or in short-term investments of limited amounts with credit-worthy banks. Nasdaq Stockholm can also manage investments by retaining cash and cash equivalents in the Group's cash pool structure and short-term internal interest-bearing investments.

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Other operations

The credit risk that arises from accounts receivable is minimized at Nasdaq Stockholm through the requirement that any company that will be listed on the stock exchange must meet the criteria in the listing agreement. One of these requirements is that the company provides documentary evidence that it possesses the profitability and financial resources to conduct its business. Other services and products are invoiced in advance on a fixed fee basis and larger variable fees are invoiced monthly in arrears thus minimizing the risk of losses in accounts receivable.

Liquidity risk/financing risk

Nasdaq Stockholm maintains no interest-bearing liabilities and thus assumes no refinancing risks. In addition, the cash flow generated by operations is positive and exceeds investments by a healthy margin. Nasdaq Stockholm has favorable liquidity resources since its regulatory capital is exclusively placed in highly liquid interest-bearing investments that can immediately be converted into cash.

Market risks

Currency risk

Currency exposure at Nasdaq Stockholm primarily arises from market data operations, where most of the revenues are denominated in EUR. The assessment is that the total currency-transaction exposure in the aforementioned flows is relatively limited and manageable, which is why Nasdaq Stockholm has decided not to hedge this particular risk.

Interest-rate risk

Interest-rate risk is primarily linked to investments in regulatory capital and investments made in Swedish bonds. At December 31, 2018, the average duration of these assets was 0.53 years (0.70).

Financial instruments

Nasdaq Stockholm invests in interest-bearing assets. The financial instruments that are thus utilized primarily comprise Swedish government bonds or mortgage bonds and/or Swedish treasury bills.

Significant events during the fiscal year

A total of 57 (96) new companies were listed, of which 24 (26) on the main market and 33 (70) on First North, yielding approximately SEK 10.5 billion (21.4) in capital procured. These numbers includes a total number of 12 (7) companies transferred from Nasdaq First North to the Nordic main market during 2018; a record year for switches. Equities trading at Nasdaq Stockholm increased 5.5% to an average daily trade of SEK 17.9 billion compared with SEK 17.0 billion in 2018. Trading in exchange-traded funds (ETFs) on Nasdaq Stockholm increased 35.5% to an average daily trading of SEK 369 million compared with SEK 272 million in 2017. Nasdaq Stockholm's share of order-book trading in the company's listed shares declined to 68.3% compared with 69.1% in 2017. The number of derivative contracts traded increased 4.7% to an average of 296,068 (282,678) contracts per day.

Effective January 1st 2018 Nasdaq Stockholm AB has change its accounting policies in accordance with K3 Chapter 10 item 10.2 for initial listing fees and listing of additional shares and bond as it gives a more accurate picture of the revenues..See Note 1 for further information.

In a ruling on January 15, 2018, the Patent and Market Court freed Nasdaq Stockholm AB from all suspicions of having abused a dominating market position in October 2010. The court confirms that Nasdaq acted based on its contractual rights and in the context did not exploit a dominant position to achieve trade advantages that Nasdaq would not have achieved otherwise. The Competition Authority appealed the judgment. A judgement by the Patent and Market Court of Appeals is expected in 2019.

In a decision on December 13, 2016, the Swedish Financial Supervisory Authority issued Nasdaq Stockholm AB a remark and decided that the company should pay a fine of SEK 30,000,000. Nasdaq Stockholm AB appealed the Swedish Financial Supervisory Authority's decision on January 2, 2018 to the Administrative Court in Stockholm.

In a judgment on May 3, 2018 the Administrative Court overturned the Swedish Financial Supervisory Authority SFSA's decision, cancelling the fines. The reasons given for the judgments by the Court is that the fining decisions violated the principle of proportionality. According to the Court, accepting Nasdaq's submissions in this regard, a fining decision needs, in order to be considered proportional, to be both appropriate and necessary. The Court found that a decision to fine Nasdaq was, in this case, neither appropriate nor necessary. The Court also noted that Nasdaq had co-operated with the Swedish Financial Supervisory Authority and that it was unclear what the Swedish Financial Supervisory Authority required of Nasdaq to fulfil its obligations under the applicable legislation.

The Swedish Financial Supervisory Authority appealed the judgement to the Administrative Court of Appeals. On January 4, 2019 the Administrative Court of Appeals issued a decision to refer the case back to the Administrative Court for review of the substance of the case. According to the Administrative Court of Appeals an assessment of the proportionality of a sanction can only be made subsequent to the conclusion that a rule has been violated. Since the Administrative Court did not conclude whether or not Nasdaq had violated any rules the Administrative Court of Appeals decided that the Administrative Court should rehear the case.

On January 24, 2019 Nasdaq appealed the judgement by the Administrative Court of Appeals to the Supreme Administrative Court arguing that the Supreme Administrative Court should overturn the Administrative Court of Appeals' judgement and confirm the Administrative Court's judgement.

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Earnings trend in 2018

Equity turnover for the full year amounted to SEK 4,482 billion (4,265). A total of 94.0 million (81.2) equity transactions were conducted during the year. The average turnover in equities trading increased to SEK 17,9 billion (17.0) per day. The OMXS30 Index closed at 1,408.7 (1,576.9), down 10.7%. The total market capitalization at December 31 was SEK 5,943 billion (6,650).

The number of derivative contracts traded increased by 4.3% to 74,016,993 (70 952 100) contracts.

Revenues rose 6% to SEK 1 713 million (1,616), primarily as a result of the increase in equity trading revenue. Expenses excluding depreciation/amortization increased by 2.1% to SEK 660 (647) million. EBITDA increased 8.6% to SEK 1 053 million (969), corresponding to an EBITDA margin of 61% (60).

The company's expected future development

In 2019, work at a business-area level will continue with a geographic focus on Sweden, but also on supporting the Nordic and the Baltic regions. Nasdaq Stockholm will strive to be the driving force in the development of the capital market ecosystem in Sweden for both new listed companies and for trading and clearing in equities, bonds, derivatives, exchange traded products, and other securities. The goal is also to continue work on an integrated operational approach in the Nordic & Baltic region to build critical mass and to strengthen the competitiveness of capital markets in the entire region to support economic growth both locally and regionally.

Research and development

Research and development constitute an integral part of our activities aimed at enhancing our service offerings, develop new products, new technologies, and to improve efficiency of operations. During 2019, work will continue within service and product areas like sustainable bonds, options, futures, interest rate swaps, and exchange listed structured products. In addition to these, further development work is done within technology areas like cloud computing, SaaS models and blockchain technology (DLT - Distributed Ledger Technology).

Ownership structure

Nasdaq Stockholm is a wholly owned subsidiary of Nasdaq Nordic Ltd., corp. ID no. 1110552-9, which in turn is a wholly owned subsidiary of Nasdaq AB, corp. ID no. 556243-8001, the Group's Parent Company is The Nasdaq Inc., corp. ID no. 521165937 with its registered office in Delaware. USA.

Environmental impact

In accordance with ÅRL 6 kap 11§ The Company has chosen to establish the statutory sustainability report as from the Annual Report, Separate Sustainability Report prepared by Nasdaq AB. Hållbarhetsrapporten has been handed over to the auditor at the same time as the annual report.

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Four-year*	2018	2017	2016	2015
Net sales (SEK 000s)	1 712 946	1 615 988	1 560 561	1 459 434
Profit after financial items (SEK 000s)	1 048 741	965 202	899 918	859 488
Operating margin (%)	61%	60%	58%	59%
Return on equity (%)	91%	79%	65%	56%
Total assets (SEK 000s)	1 684 482	1 781 050	1 774 156	1 760 023
Equity/assets ratio (%)	69%	68%	78%	86%
Number of employees	158	149	155	151

* KPI definitions, refer to Note 22.

* Comparative figures for 2016-2015 have not been restated as per the accounting policy in Chapter 10 BFNAR 2012:1 for initial listing fees.

Proposed

The Board of Directors proposes that the unappropriated earnings (SEK)

Profit brought forward	329 159 161
Net profit for the year	785 052 253
	1 114 211 414

be appropriated as follows:

to be paid as dividend to shareholders (SEK 19,82 per share)	785 000 000
to be carried forward	329 211 414
	1 114 211 414

For more information regarding the earnings and financial position of the company, refer to the income statement, balance sheet, cash-flow statement and notes below.

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Income statement			
(SEK 000s)			
	Note	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
Net sales	2	1 712 946	1 615 988
		1 712 946	1 615 988
<i>Operating expenses</i>			
Other external expenses	3	-398 981	-394 037
Personnel costs	4	-232 640	-211 395
Amortization/depreciation and impairment (and reversal thereof) o tangible and intangible assets		-2 365	-2 627
Other operating expenses		-28 280	-41 145
		-662 266	-649 204
Operating income	5	1 050 680	966 784
Profit/loss from participations in associated companies			
	6	362	0
Other interest income and similar items	7	101	162
Interest expenses and similar items	8	-2 402	-1 744
		-1 939	-1 582
Income after financial items		1 048 741	965 202
Appropriations	9	-108 010	-73 100
Profit before tax		940 731	892 102
Tax on profit for the year	10	-155 679	-139 306
Net profit/loss for the year		785 052	752 796

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Balance sheet			
(SEK 000s)			
	Note	2018-12-31	2017-12-31
ASSETS			
<i>Non-current assets</i>			
<i>Intangible assets</i>			
Capitalized expenditure for research and development and similar items	11	6 136	12 884
		6 136	12 884
<i>Tangible assets</i>			
Equipment	12	879	1 171
		879	1 171
<i>Financial assets</i>			
Participation in Group companies	13, 14	50	50
		50	50
Total non-current assets		7 065	14 105
<i>Current receivables</i>			
Accounts receivable		120 337	78 203
Receivables from Group companies		1 176 027	1 262 651
Current tax receivable		43	29
Deferred tax		-	21 253
Other receivables		19 317	17 253
Prepaid expenses and accrued income	15	49 819	73 979
		1 365 543	1 453 368
<i>Current investments</i>			
Current investments		308 313	310 251
<i>Cash and bank balances</i>	16	3 561	3 326
Total current assets		1 677 417	1 766 945
TOTAL ASSETS		1 684 482	1 781 050

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Balance sheet			
(SEK 000s)			
	Note	2018-12-31	2017-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	17	39 601	39 601
Statutory reserve		252	7 972
		39 853	47 573
<i>Non-restricted shareholders' equity</i>			
Profit brought forward		329 159	418 643
Net profit/loss for the year		785 052	752 796
		1 114 211	1 171 440
Total shareholders' equity		1 154 064	1 219 012
Current liabilities			
Accounts payables		8 954	0
Liabilities to Group companies		153 082	174 771
Other liabilities		25 432	11 498
Current tax liabilities	10	26 081	94 762
Accrued expenses and prepaid income	18	316 869	281 007
		530 418	562 038
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 684 482	1 781 050

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Statement of changes in equity

	Restricted shareholders' equity		Non-restricted shareholders' equity		Total
	Share capital	Development expenditures fund	Profit brought forward	net profit/loss for the year	
Opening balance 2017-01-01 per adopted annual report	39 601	12 647	620 911	703 604	1 376 763
Effects of changes to accounting method			-50 547		-50 547
New opening balance 2017-01-01	39 601	12 647	570 364	703 604	1 326 216
Transfer of results from previous year			703 604	-703 604	0
Transfer of Development expenditures fund		-4 675	4 675		0
Dividend paid			-860 000		-860 000
Net profit for the year				752 796	752 796
Closing balance 2017-12-31	39 601	7 972	418 643	752 796	1 219 012
Transfer of results from previous year			752 796	-752 796	0
Transfer of Development expenditures fund		-7 719	7 719		0
Dividend paid			-850 000		-850 000
Net profit for the year				785 052	785 052
Closing balance 2018-12-31	39 601	252	329 159	785 052	1 154 064

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Cash-flow statement

	2018-01-01	2017-01-01
	-2018-12-31	-2017-12-31
Operating activities		
Income after financial items	1 048 741	965 202
Adjustments for non-cash items, etc.		
Depreciation/amortization and impairment	11, 12 8 747	23 199
	1 057 488	988 401
Income tax paid	-203 120	-146 218
Cash flow from operating activities before changes in working capital	854 368	842 183
<i>Changes in working capital</i>		
Changes in operating receivables	67 541	-22 276
Changes in operating liabilities	36 105	149 714
Cash flow from operating activities	958 014	969 621
<i>Investing activities</i>		
Acquisition of tangible assets	-32	-806
Acquisition of Intangible assets	11 -1 675	-18 031
Cash flow from investing activities	-1 707	-18 837
<i>Financing activities</i>		
Dividend paid	-850 000	-860 000
Group contributions paid	9 -108 010	-73 100
Cash flow from financing activities	-958 010	-933 100
Cash flow for the year	-1 703	17 684
Cash and cash equivalents at beginning of year	313 577	295 893
Cash and cash equivalents at year-end	311 874	313 577

* Cash and cash equivalents include current investments, cash and bank balances

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Supplementary disclosures

Note 1. Accounting policies, etc.

General accounting policies

The Annual Accounts have been prepared in accordance with the Annual Accounts Act (1995:1554) and BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3):

Assessments and estimates

The following assessments by the Board have a significant impact on the carrying amounts in the annual report: Group affiliation

The immediately superior Parent Company that prepares consolidated financial statements in which the company is included is The Nasdaq Group Inc., Delaware, USA, (employer ID no. 52-1165937). www.nasdaq.com

Revenue recognition

Revenue is measured at fair value of what the company received or will receive. This means that the company recognizes revenue at nominal value (invoiced amount) if the company receives remuneration in cash and cash equivalents on delivery. Deductions are made for provided discounts.

Effective January 1st 2018 Nasdaq Stockholm AB has change its accounting policies in accordance with K3 Chapter 10 item 10.2 for initial listing fees and listing of additional shares and bond as it gives a more accurate picture of the revenues.. Where the revenue previously was recognized at a point in time, the revenues are now recognized over time and deferred over 6 or 4 years based on an analysis of useful life.

The effect on opening equity on January 1st 2017 amounts to SEK -50,5 million and the net effect on net profit for the financial year 2017 amounts to SEK -24,8 million. The total effect on equity at the end of 2017 was thus SEK 75,3 million. The item prepaid expenses and accrued income as of 31 December 2017 was affected by an increase of SEK 56,5 million. The item accrued expenses and prepaid income as of 31 December 2017 increased by 153,1. A deferred tax asset of SEK 21,3 million has also been booked as of 31 December 2017.

Financial instruments

Financial instruments are recognized according to BFNAR 2012:1 (K3), Chapter 12. Refer also to the description of the accounting for each category of financial instruments. See also Note 19.

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Financial assets/liabilities held for trading

Financial assets/liabilities held for trading include securities and are measured at fair value. For listed financial instruments, the market capitalization is calculated based on current market listings on the balance-sheet date. All changes in value are recognized in profit and loss.

Loans and receivables

Pertain to accounts receivable, receivables from Group companies, other receivables, as well as accrued revenue and are measured at cost. All changes in value are recognized in profit and loss.

Other financial liabilities

Pertain to accounts receivable, receivables from Group companies, other receivables, as well as accrued revenue and are measured at cost. All changes in value are recognized in profit and loss.

Participations in subsidiaries are exempted from BFNAR 2012:1 (K3) Chapter 12 and recognized at cost, see also Note 13, 14.

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Remuneration of employees

Remuneration of employees refers to all types of remuneration that the company pays to employees. The company's remuneration includes salaries, paid vacation, paid absence, bonuses and compensation after retirement (pensions). Recognition occurs in pace with vesting. Remuneration of employees after retirement pertains to defined-contribution pension plans. Defined-contribution plans are classified as plans in which established premiums are paid and there are no obligations, either legal or constructive, to pay anything further beyond these premiums. The company has no other long-term remuneration arrangements to employees. Premiums for defined-contribution plans are recognized as an expense in the period in which the employees perform the services that form the basis of the commitment.

Share-based payments

All employees participate in Nasdaq Inc.'s long-term incentive program. Based on the employee category, the program includes the allocation of shares and warrants in Nasdaq Inc. to which, to a certain extent, performance requirements and a requirement of continued employment in the company have been linked. Incentives will be exercised within a period of three to five years. The company is charged for current costs for the warrants program by the Parent Company. The costs charged by the Parent Company are based on the value of the stock or warrants at the time of allocation and is spread over the expected vesting period. The company applies the accounting policy in Chapter 26 BFNR 2012:1 regarding the long-term share-based incentive programs for all permanent employees. The principle means that social security expenses are calculated and periodallocated based on the number of shares earned during the entire length of the program, i.e. over the entire vesting period, based on the market value.

Remuneration policy

A report on the remuneration policy in compliance with the Swedish Financial Supervisory Authority's general guidelines on remuneration policies, FFFS 2016:21, will be published on the company's website, www.nasdaqomxnordic.com/omoss/legalstructure.

Translation of items in foreign currencies

Receivables and liabilities in foreign currencies were valued at the closing day rate. Exchange gains and losses on operating receivables and operating liabilities are recognized in operating income while exchange gains and losses on financial receivables and liabilities are recognized as financial items.

Group contributions

Group contributions received and paid are recognized as appropriations.

Taxes

Current and deferred income tax is recognized under the heading "Taxes" in the income statement. National income tax in Sweden is calculated on nominally entered earnings with additions for non-deductible items, deductions for non-taxable revenues and other deductions. Deferred tax assets are recognized for all deductible temporary differences and unutilized loss carry-forwards, to the extent it is probable that future taxable profit will be available against which the temporary differences or unutilized loss carry-forwards can be used. The deferred tax assets' carrying amounts are reviewed on each closing date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized, and increased to the corresponding extent. Deferred tax assets and liabilities are calculated by applying the tax rates and laws that have been decided or announced on the closing date and that are expected to apply for the period in which the deferred tax asset is realized or when the deferred tax liability is settled.

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Non-current assets

Tangible and intangible assets are recognized at cost less accumulated depreciation/amortization and any impairment. Tangible assets were divided into significant components when the components have highly varying useful periods. The depreciable/amortizable amount comprises cost less an estimated residual value if this is significant. Depreciation/amortization takes place straight-line over the expected useful life.

The following amortization/depreciation periods are applied:

Intangible assets

Capitalized expenditure for research and development work and similar work 5 years

Tangible assets

Equipment, tools, fixtures and fittings 3-5 years

The company applies the so-called capitalization model for internally created intangible assets. The method entails that all charges that fulfill the criteria in BFNAR 2012:1 are capitalized as intangible assets and amortized over the estimated useful life of the asset.

Cash flow statement

The company applies the indirect method to the preparation of the cash flow statement. Cash and cash equivalents are defined as short-term investments with maturity terms of less than three months, and cash and bank balances.

Receivables, liabilities and provisions

Current receivables are recognized at the lower of cost and the amount expected to result from settlement, unless otherwise indicated above. Long-term receivables and liabilities are recognized at amortized cost at the first measurement occasion. Other liabilities and provisions are recognized in the amounts expected to result from settlement. Other assets are recognized.

Notes

Note 2 Distribution of net sales

Net sales distributed on business areas;

	2018	2017
Transaction revenue	727 136	639 429
Market data	404 182	362 875
Issuers	401 731	399 368
Technology and system revenue	136 634	165 624
Other revenue	43 263	48 692
	1 712 946	1 615 988

Note 3 Auditors' fees

	2018	2017
Ernst & Young AB		
Audit assignment	750	750
Other auditing activities	-	-
	750	750

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Note 4 Employees and personnel costs

	2018	2017
<i>Average number of employees</i>		
Men	105	99
Women	53	50
	158	149
<i>Salaries and other remuneration</i>		
Board	-	14 914
(of which bonus)	-	(3 096)
(of which share-based remuneration)	-	(7 573)
CEO	6 544	8 746
(of which bonus)	(1 861)	(1 706)
(of which share-based remuneration)	(2 786)	(4 733)
Other employees	148 242	113 393
(of which, share-based remuneration)	(10 355)	(801)
	154 786	137 053

	2018	2017
<i>Social security expenses</i>		
Pension expenses for Board members	-	4 654
Pension expenses for CEO	2 056	2 566
Pension expenses for other employees	17 036	10 188
Social security expenses	57 088	60 034
	76 180	77 442

Gender distribution among senior executives

Percentage of women on the Board	40%	33%
Percentage of men on the Board	60%	67%
Percentage women among other senior executives	0%	0%
Percentage men among other senior executives	100%	100%

The data pertains to conditions on the closing date.

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Remuneration structure 2018

Nasdaq's remuneration of employees consists of both fixed and variable remuneration, as well as pension and other benefits. Variable remuneration is divided into short-term and long-term incentive programs. The short-term incentive program encompasses all employees and is a cash-based remuneration linked to various targets in the business.

Share-based remuneration

In December 2008, the Nasdaq Board of Directors decided to implement a long-term incentive program (LTIP) for all permanent employees. This program consists of share-based instruments linked to the Nasdaq share, which is listed on the Nasdaq Stock Market in the US. The LTIP is a performance-based program. The ratio used for measuring performance is Nasdaq's operating profit in the year concerned. The principles of share-based remuneration and its components.

The amount of an employee's share-based remuneration depends on the company's earnings, the business area's earnings, the team's targets and the employee's positions in the company.

The LTIP's share-based remuneration comprises three different instruments:

- "Performance Share Units (PSUs) with 1-Year performance", one-third transferred to employees per year. The number of shares transferred is linked to Nasdaq's corporate operating income with a payment interval of 0-150%, meaning that the number of shares transferred can be lower or higher.

- "Performance Share Units (PSUs) with 3-Year performance", 100% transferred after three years. The number of shares transferred is linked to the "Total Shareholder Return" (TSR) and to S&P 500 earnings. The number of shares transferred can be lower or higher.

- "Restricted Stock Units (RSUs) that vest over time" (non-performance-based), 25% transferred after two years, 25% after three years and 50% after four years. The number of shares allotted is always the same as the number transferred.

The employees, depending on the position held, have been allotted a number of RSUs, a combination of RSUs and PSUs, or alternatively a combination of one-year PSUs and three-year PSUs.

Social security expenses for share-based remuneration

In accordance with Chapter 26, share-based remuneration, in BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3), social security expenses on share-based remuneration are calculated and allocated based on the number of shares received continuously over the entire length of the program, meaning over the entire vesting period.

Pensions

Nasdaq Sweden offers its employees a market-rate, premium-based occupational pension – Nasdaq pension plan.

The retirement age is 65 years.

Other benefits

In addition to the above occupational pension, Nasdaq Sweden has taken out health insurance, group life insurance (TGL), medical expenses insurance and occupational injury insurance (TFA) for its employees. Employees are also able to supplement their coverage through Nasdaq's voluntary group insurance.

Note 5 Intra-Group purchases and sales

	2018	2017
Percentage of total purchases during the year from other Group companies	41%	43%
Percentage of total sales during the year to other Group companies	8%	10%

The purchases refers mainly to operational- and development expenses from NASDAQ OMX Exchange & Clearing Services AB.

Note 6 Profit/loss from participations in associated companies

	2018	2017
Dividends received	362	-
	362	-

Note 7 Other interest income and similar income

	2018	2017
Other interest income	82	162
Exchange rate difference	19	-
	101	162

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Note 8 Interest expenses and similar expenses

	2018	2017
Interest expense to Group companies	-11	-11
Other interest expenses	-2 139	-1 725
Exchange rate difference	-252	-8
	-2 402	-1 744

Note 9 Appropriations

	2018	2017
Group contributions paid	-348 010	-313 100
Group contributions received	240 000	240 000
	-108 010	-73 100

Note 10 Tax on profit for the year

	2018	2017
Current tax	155 416	150 622
Deferred tax related to changed accounting method 2017	-	-6 995
Adjustment related to previous years	277	-4 402
Adjustment in deferred tax related to temporary differences	-14	82
Total recognized tax	155 679	139 306

Average effective tax rate	16,5%	15,6%
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Reconciliation of effective tax rate

Recognized profit before tax	940 732	892 102
Tax on recognized profit according to applicable tax rate (22%):	206 961	196 262
Tax effect of:		
Other non-deductible expenses	784	708
Adjustment of previous years' tax	277	-4 402
Non-taxable Group contribution	-52 800	-52 800
Non-taxable income	-80	-463
Other	537	-
Recognized tax	155 679	139 306
Effective tax rate	16,5%	15,6%

Note 11 Capitalized expenditure for research, development and similar business

	2018-12-31	2017-12-31
Opening cost	73 934	76 476
Disposals	-6 365	-20 573
Acquisitions for the year	1 675	18 031
Closing accumulated cost development and similar items	69 244	73 934
Opening amortization	-50 121	-47 841
Amortization for the year	-2 058	-2 280
Closing accumulated amortization	-52 179	-50 121
Opening impairments	-10 929	-10 929
Closing accumulated impairment	-10 929	-10 929
Closing carrying amount	6 136	12 884

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Note 12 Equipment

	2018-12-31	2017-12-31
Opening cost	14 987	14 181
Acquisitions for the year	32	806
Closing accumulated cost	15 019	14 987
Opening amortization	-13 816	-13 470
Amortization for the year	-324	-346
Closing accumulated amortization	-14 140	-13 816
Closing carrying amount	879	1 171

Note 13 Participations in Group companies

	2018-12-31	2017-12-31
Opening cost	50	50
Closing accumulated cost	50	50
Closing carrying amount	50	50

Note 14 Specification of participations in Group companies

Namn	Share of equity	Share of voting rights	Number of participation	Carrying amount
Nasdaq Technology Italy S.r.l.	5%	5%	5%	50
				50
	Corp. Reg. No.	Registered offices	Equity*	Net loss for the year**
Nasdaq Technology Italy S.r.l.	7 983 258	Italy	3 333	2 107

*Equity and Net profit for the year are shown as a whole, regardless owner shares.

** Net profit for the year refers to earnings after financial items

Note 15 Prepaid expenses and accrued income

	2018-12-31	2017-12-31
Accrued income	5 281	12 349
Prepaid expenses	44 538	61 630
	49 819	73 979

Note 16 Cash and bank

	2018-12-31	2017-12-31
Cash- and bank balances	3 561	3 326
	3 561	3 326

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Note 17 Number of shares

	2018-12-31	2017-12-31	2018-12-31	2017-12-31
	<i>Quota value</i>	<i>Quota value</i>	Quantity	Quantity
Shares	1	1	39 600 908	39 600 908

Note 18 Accrued expenses and prepaid income

	2018-12-31	2017-12-31
Accrued salaries and other benefits	43 800	23 289
Accrued vacation pay	22 387	21 573
Accrued social security expenses	10 414	10 554
Personel withholding tax	3 150	3 042
Prepaid income listing issues	-10 054	3 872
Prepaid income members	52 900	16 924
Other prepaid income	42 042	48 643
Prepaid income restatement of listings	152 230	153 110
	316 869	281 007

Note 19 Disclosures of financial instruments

Assets at 2018-12-31	Financial assets held for trading	Loan receivables and accounts receivables	Non-financial assets	Total
Accounts receivables		120 337		120 337
Receivables from Group companies		1 176 027		1 176 027
Other receivables		19 317		19 317
Prepaid expenses and accrued income		5 284	44 535	49 819
Short-term investments	308 313			308 313
Cash and bank balances		3 561		3 561
	308 313	1 324 526	44 535	1 677 374

Assets at 2017-12-31	Financial assets held for trading	Loan receivables and accounts receivables	Non-financial assets	Total
Accounts receivables		78 203		78 203
Receivables from Group companies		1 262 651		1 262 651
Other receivables		17 253		17 253
Prepaid expenses and accrued income		12 273	5 193	17 467
Short-term investments	310 251			310 251
Cash and bank balances		3 326		3 326
	310 251	1 373 706	5 193	1 689 151

Liabilities at 2018-12-31	Other financial liabilities	Non-financial liabilities	Total
Accounts payables		8 954	8 954
Liabilities to Group companies		153 082	153 082
Accrued expenses and prepaid income		237 117	316 869
Other liabilities		-	25 432
		399 153	105 184
			504 337

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Liabilities at 2017-12-31	Other financial liabilities	Non-financial liabilities	Total
Accounts payables	-		-
Liabilities to Group companies	174 771		174 771
Accrued expenses and deferred income	69 434	58 459	127 893
Other liabilities	-	11 498	11 498
	244 205	69 957	314 162

Note 20 Disclosures on other non-cash items

	2018-12-31	2017-12-31
Opening balance	44 860	41 492
Group receivables regarding Market data and Technology revenue	7 970	3 367
Other	-1 717	-
	51 113	44 860

Note 21 Collateral securities and contingent liabilities

	2018-12-31	2017-12-31
Collateral securities	None	None
Contingent liabilities	None	None

Note 22 Definitions of key performance indicators

Operating margin

Operating income as a percentage of net sales.

Adjusted equity

Equity plus untaxed reserves less deferred tax.

Return on equity

Income after financial items as a percentage of average adjusted equity.

Equity/assets ratio

Adjusted equity as a percentage of total assets

Note 23 Proposed appropriation of earnings

2018-12-31

Proposed distribution of earnings

The Board of Directors proposes that the profits available for distribution (SEK)

Profit brought forward	329 159 161
Net profit for the year	785 052 253
	1 114 211 414

be distributed as follows:

to be paid as dividend to shareholders (SEK 19,82 per share)	785 000 000
to be carried forward	329 211 414
	1 114 211 414

Note 24 Significant events after the end of the balance sheet date

No significant events have occurred after the balance sheet date.

*This is an in-house translation from the Swedish language original.
In case of discrepancy between the Swedish language original
text and the English language translation, the Swedish text shall prevail.*

Nasdaq Stockholm AB
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Stockholm 2019

Andreas Gustafsson
Chairman

Christina Werner
Board member

Suzanne Dahl
Board member

Lauri Rosendahl
CEO

Adam Kostyál
Board member

Robert Caisley
Board member

Our audit report was submitted on 2019

Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant