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Nasdaq Stockholm AB
556420-8394

Annual Report

for the fiscal year 2019-01-01 - 2019-12-31

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 141 (134) members at December 31, 2019. In 2019, there were 13 new members and 6 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 340 (322).

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, 2019, the average duration of these assets was 0.42 years (0.53).

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 47 (57) new companies were listed, of which 16 (24) on the main market and 31 (33) on First North, yielding approximately SEK 26.8 billion (10.5) in capital procured. These numbers includes a total number of 7 (12) companies transferred from Nasdaq First North to the Nordic main market during 2019. Equities trading at Nasdaq Stockholm decreased 5.1% to an average daily trade of SEK 17.0 billion compared with SEK 17.9 billion in 2018. Trading in exchange-traded funds (ETFs) on Nasdaq Stockholm increased 9.2% to an average daily trading of SEK 403 million compared with SEK 369 million in 2018. Nasdaq Stockholm's share of order-book trading in the company's listed shares inclined to 72.0% compared with 68.3% in 2018. The number of total cleared derivative contracts decreased 3.5% to an average of 285,619 (296,068) contracts per day.

In a judgement on June 28, 2019, the Patent and Market Court of Appeal cleared Nasdaq Stockholm AB from all allegations of having abused a dominant position in October 2010. The court confirmed the judgment of the Patent and Market Court, that measures taken by Nasdaq Stockholm AB did not restrict competition. The Swedish Competition Authority's request for a fine was consequently rejected and Nasdaq Stockholm AB awarded compensation for its costs of about SEK 24 million. The judgment cannot be appealed.

In a decision on December 13, 2016, the Swedish Financial Supervisory Authority issued Nasdaq Stockholm AB a remark and issued 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 judgment by the Court is that the fining decision 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.

On October 30, 2019 the Supreme Administrative Court decided that it will not grant a leave to appeal. Thus the matter was referred back to the Administrative Court for review of the substance of the case in accordance with the Administrative Court of Appeals judgement issued on January 4, 2019. A judgement is expected during 2020.

Regulatory reporting operations were acquired during the year from Nasdaq Broker Service AB (559185-9011). The purchase price amounted to SEK 26,864,000, of which SEK 25,145,000 relates to Goodwill.

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Earnings trend in 2019

Equity turnover for the full year amounted to SEK 4,255 billion (4,482). A total of 88.9 million (94.0) equity transactions were conducted during the year. The average turnover in equities trading decreased to SEK 17.0 billion (17.9) per day. The OMXS30 Index closed at 1,771.9 (1,408.7), up 25.8%. The total market capitalization at December 31 was SEK 7,730 billion (5,943).

The number of total cleared derivative contracts decreased by 3.5% to 71,404,750 (74,016,993) contracts.

Revenues rose 3% to SEK 1,766 million (1,1713), primarily as a result of the increase in equity trading revenue. Expenses excluding depreciation/amortization increased by 1.7% to SEK 1,056 (1,053) million. EBITDA increased 1.7% to SEK 1 056 million (1,053), corresponding to an EBITDA margin of 60% (61).

The company's expected future development

In 2020, work will continue with a "European Markets" focus according to the new strategic direction, however, combined with a special focus on Sweden combined with supporting the other Nordic and the Baltic Exchanges. Nasdaq Stockholm will strive to be the driving force in developing the capital market ecosystem in Sweden together with all market stakeholders. Mission is to create the best possible environment for new listed companies to raise capital for growth and for efficient 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 resilience and efficiency of operations. During 2020, especially resilience of systems, processes and resources will be a high-focus area, combined with work 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*	2019	2018	2017	2016
Net sales (SEK 000s)	1 766 338	1 712 946	1 615 988	1 560 561
Profit after financial items (SEK 000s)	1 053 903	1 048 741	965 202	899 918
Operating margin (%)	60%	61%	60%	58%
Return on equity (%)	103%	91%	79%	65%
Total assets (SEK 000s)	1 772 896	1 684 482	1 781 050	1 774 156
Equity/assets ratio (%)	58%	69%	68%	78%
Number of employees	164	158	149	155

* KPI definitions, refer to Note 23.

* 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	987 639 234
Net profit for the year	658 175 304
	1 645 814 538

be appropriated as follows:

to be paid as dividend to shareholders (SEK 16,79 per share)	665 000 000
to be carried forward	980 814 538
	1 645 814 538

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	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Net sales	2	1 766 338	1 712 946
		1 766 338	1 712 946
<i>Operating expenses</i>			
Other external expenses	3	-444 078	-398 981
Personnel costs	4	-236 506	-232 640
Amortization/depreciation and impairment (and reversal thereof) o tangible and intangible assets		-1 849	-2 365
Other operating expenses		-29 544	-28 280
		-711 977	-662 266
Operating income	5	1 054 361	1 050 680
<i>Income from financial items</i>			
1 associated companies	6	-	362
Other interest income and similar items	7	645	101
Interest expenses and similar items	8	-1 103	-2 402
		-458	-1 939
Income after financial items		1 053 903	1 048 741
Appropriations	9	-215 000	-108 010
Profit before tax		838 903	940 731
Tax on profit for the year	10	-180 728	-155 679
Net profit/loss for the year		658 175	785 052

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Balance sheet			
(SEK 000s)			
	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditure for research and development and similar items	11	4 118	6 136
Goodwill	12	23 888	-
		28 006	6 136
<i>Tangible assets</i>			
Equipment	13	570	879
		570	879
<i>Financial assets</i>			
Participation in Group companies	14, 15	50	50
		50	50
Total non-current assets		28 626	7 065
<i>Current receivables</i>			
Accounts receivable		104 329	120 337
Receivables from Group companies		1 376 047	1 176 027
Current tax receivable		119	43
Other receivables		17 276	19 317
Prepaid expenses and accrued income	16	73 638	49 819
		1 571 409	1 365 543
<i>Current investments</i>			
Current investments		172 861	308 313
Cash and bank balances	17	-	3 561
Total current assets		1 744 270	1 677 417
TOTAL ASSETS		1 772 896	1 684 482

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Balance sheet			
(SEK 000s)			
	Note	2019-12-31	2018-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital		39 601	39 601
Statutory reserve		0	252
		39 601	39 853
<i>Non-restricted shareholders' equity</i>			
Profit brought forward		329 463	329 159
Net profit/loss for the year		658 175	785 052
		987 638	1 114 211
Total shareholders' equity		1 027 239	1 154 064
Current liabilities			
Accounts payables		2 824	8 954
Liabilities to Group companies		369 728	153 082
Other liabilities		8 784	25 432
Current tax liabilities	10	28 449	26 081
Accrued expenses and prepaid income	19	335 872	316 869
		745 657	530 418
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 772 896	1 684 482

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Statement of changes in equity

	<i>Restricted shareholders' equity</i>		<i>Non-restricted shareholders' equity</i>		Total
	Share capital	Development expenditures fund	Profit brought forward	net profit/loss for the year	
Opening balance 2018-01-01 per adopted annual report	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
<i>Transactions with owners:</i>					
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
Opening balance 2019-01-01 per adopted annual report	39 601	252	329 159	785 052	1 154 064
Transfer of results from previous year			785 052	-785 052	0
Transfer of Development expenditures fund		-252	252		0
<i>Transactions with owners:</i>					
Dividend paid			-785 000		-785 000
Net profit for the year				658 175	658 175
Closing balance 2019-12-31	39 601	0	329 463	658 175	1 027 239

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Cash-flow statement

	2019-01-01	2018-01-01
	-2019-12-31	-2018-12-31
Operating activities		
Income after financial items	1 053 903	1 048 741
Adjustments for non-cash items, etc.		
Depreciation/amortization and impairment	11, 13 7 642	8 747
	1 061 545	1 057 488
Income tax paid	-178 436	-203 120
Cash flow from operating activities before changes in working capital	883 109	854 368
<i>Changes in working capital</i>		
Changes in operating receivables	-203 089	67 541
Changes in operating liabilities	210 172	36 105
Cash flow from operating activities	890 192	958 014
<i>Investing activities</i>		
Acquisition of tangible assets	-	-32
Acquisition of Intangible assets	11 -29 205	-1 675
Cash flow from investing activities	-29 205	-1 707
<i>Financing activities</i>		
Dividend paid	-785 000	-850 000
Group contributions paid	9 -215 000	-108 010
Cash flow from financing activities	-1 000 000	-958 010
Cash flow for the year	-139 013	-1 703
Cash and cash equivalents at beginning of year	311 874	313 577
Cash and cash equivalents at year-end	172 861	311 874

* 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.

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
Goodwill 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;

	2019	2018
Transaction revenue	726 688	727 136
Market data	412 707	404 182
Issuers	430 125	401 731
Technology and system revenue	150 148	136 634
Other revenue	46 670	43 263
	1 766 338	1 712 946

Note 3 Auditors' fees

	2019	2018
Ernst & Young AB		
Audit assignment	750	750
Other auditing activities	-	-
	750	750

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Note 4 Employees and personnel costs

Average number of employees

	2019	2018
Men	106	105
Women	58	53
	164	158

	2019	2018
CEO	8 442	6 544
(of which bonus and share-based remuneration to Board and CEO)	(6 783)	(4 647)
Other employees	143 598	148 242
(of which, share-based remuneration)	(5 401)	(10 355)
	152 040	154 786

	2019	2018
<i>Social security expenses</i>		
Pension expenses for CEO	2 652	2 056
Pension expenses for other employees	17 756	17 036
Social security expenses	61 181	57 088
	81 589	76 180

Gender distribution among senior executives

Percentage of women on the Board	40%	40%
Percentage of men on the Board	60%	60%
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 2019

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

	2019	2018
Percentage of total purchases during the year from other Group companies	34%	41%
Percentage of total sales during the year to other Group companies	9%	8%

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

	2019	2018
Dividends received	-	362
	-	362

Note 7 Other interest income and similar income

	2019	2018
Interest income from Group companies	1	-
Other interest income	297	82
Exchange rate difference	347	19
	645	101

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Note 8 Interest expenses and similar expenses

	2019	2018
Interest expense to Group companies	-53	-11
Other interest expenses	-1 004	-2 139
Exchange rate difference	-46	-252
	-1 103	-2 402

Note 9 Appropriations

	2019	2018
Group contributions paid	-215 000	-348 010
Group contributions received	-	240 000
	-215 000	-108 010

Note 10 Tax on profit for the year

	2019	2018
Current tax	-180 605	-155 416
Adjustment related to previous years	-199	-277
Adjustment in deferred tax related to temporary differences	76	14
Total recognized tax	-180 728	-155 679

Average effective tax rate 21,5% 16,5%

Reconciliation of effective tax rate

Recognized profit before tax	838 903	940 732
Tax on recognized profit according to applicable tax rate (21,4%)	-179 525	-206 961
Tax effect of:		
Other non-deductible expenses	-1 027	-784
Adjustment of previous years' tax	-199	-277
Non-taxable Group contribution	-	52 800
Non-taxable income	12	80
Other	12	-537
Recognized tax	-180 728	-155 679
Effective tax rate	21,5%	16,5%

Note 11 Capitalized expenditure for research, development and similar business

	2019-12-31	2018-12-31
Opening cost	69 244	73 934
Disposals	-4 018	-6 365
Acquisitions for the year	4 057	1 675
Closing accumulated cost development and similar items	69 283	69 244
Opening amortization	-52 179	-50 121
Amortization for the year	-2 057	-2 058
Closing accumulated amortization	-54 236	-52 179
Opening impairments	-10 929	-10 929
Closing accumulated impairment	-10 929	-10 929
Closing carrying amount	4 118	6 136

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Note 12 Goodwill

	2019-12-31	2018-12-31
Acquisitions of the year	25 146	-
Closing accumulated cost	25 146	-
Amortization for the year	-1 258	-
Closing accumulated amortization avskrivningar	-1 258	-
Closing carrying amount	23 888	-

Note 13 Equipment

	2019-12-31	2018-12-31
Opening cost	15 019	14 987
Acquisitions for the year	-	32
Closing accumulated cost	15 019	15 019
Opening amortization	-14 140	-13 816
Amortization for the year	-309	-324
Closing accumulated amortization	-14 449	-14 140
Closing carrying amount	570	879

Note 14 Participations in Group companies

	2019-12-31	2018-12-31
Opening cost	50	50
Closing accumulated cost	50	50
Closing carrying amount	50	50

Note 15 Specification of participations in Group companies

Namn	Share of equity	Share of voting rights	Number of participations	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	3 038	-515

*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 16 Prepaid expenses and accrued income

	2019-12-31	2018-12-31
Accrued income	43 534	5 281
Prepaid expenses	30 104	44 538
	73 638	49 819

Note 17 Cash and bank

	2019-12-31	2018-12-31
Cash- and bank balances	-	3 561
	0	3 561

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Note 18 Number of shares

	2019-12-31	2018-12-31	2019-12-31	2018-12-31
	<i>Quota value</i>	<i>Quota value</i>	Quantity	Quantity
Shares	1	1	39 600 908	39 600 908

Note 19 Accrued expenses and prepaid income

	2019-12-31	2018-12-31
Accrued salaries and other benefits	48 383	43 800
Accrued vacation pay	24 444	22 387
Accrued social security expenses	12 301	10 414
Personel withholding tax	3 561	3 150
Prepaid income listing issues	5 484	-10 054
Prepaid income members	45 939	52 900
Other prepaid income	44 282	42 042
Prepaid income restatement of listings	151 478	152 230
	335 872	316 869

Note 20 Disclosures of financial instruments

Assets at 2019-12-31	Financial assets held for trading	Other financial assets	Non-financial assets	Total
Accounts receivables		104 329		104 329
Receivables from Group companies		1 376 047		1 376 047
Other receivables		17 276		17 276
Prepaid expenses and accrued income		7 392	66 246	73 638
Short-term investments	172 861			172 861
Cash and bank balances		-		-
	172 861	1 505 044	66 246	1 744 151

Assets at 2018-12-31	Financial assets held for trading	Other financial assets	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

Liabilities at 2019-12-31	Other financial liabilities	Non-financial liabilities	Total
Accounts payables	2 824		2 824
Liabilities to Group companies	369 728		369 728
Accrued expenses and prepaid income	247 182	88 690	335 872
Other liabilities	-	8 784	8 784
	619 734	97 474	717 208

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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 deferred income	237 117	79 752	316 869
Other liabilities	-	25 432	25 432
	399 153	105 184	504 337

Note 21 Disclosures on other non-cash items

	2019-12-31	2018-12-31
Opening balance	51 113	44 860
Changes of group receivables regarding Market data and Tech revenue	-12 424	7 970
Other	1 350	-1 717
	40 039	51 113

Note 22 Collateral securities and contingent liabilities

	2019-12-31	2018-12-31
Collateral securities	None	None
Contingent liabilities	None	None

Note 23 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 24 Proposed appropriation of earnings

Proposed distribution of earnings

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

	2019-12-31	2018-12-31
Profit brought forward	987 639	329 159
Net profit for the year	658 175	785 052
	1 645 815	1 114 211

be distributed as follows:

to be paid as dividend to shareholders (SEK 16,79 per share)	665 000	785 000
to be carried forward	980 815	329 211
	1 645 815	1 114 211

Note 25 Significant events after the end of the balance sheet date

In March 2020, The World Health Organisation declared COVID-19 a pandemic. As a result, businesses around the world have experienced a significant disruption and many of the Company's customers have been affected by the business restrictions and voluntary closures.

Nasdaq considered the impact of COVID-19 on the assumptions and estimates used in evaluating our assets and liabilities. We determined that there were no material adverse impacts on the Company's results of operations after year end 2019.

After the end of the financial year, Fredrik Ekström has replaced Lauri Rosendahl as CEO.

Ann-Charlotte Eliasson and Gunilla Hellqvist replaced Christina Werner and Robert Caisley as members from March 2020.

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.

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Stockholm

Andreas Gustafsson
Chairman

Adam Kostyál
Board member

Gunilla Hellqvist
Board member

Fredrik Ekström
CEO

Ann-Charlotte Eliasson
Board member

Our audit report was submitted on
Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant