

Annual report for

Nasdaq Stockholm AB

556420-8394

The financial year

2020-01-01 - 2020-12-31

Table of Contents

| | |
|----------------------------|-----------|
| Directors' Report | 2 |
| Income statement | 5 |
| Balance sheet | 6 |
| Statement of equity | 8 |
| Cashflow statement | 9 |
| Notes | 10 |

Directors' Report

The Board of Directors and the CEO for Nasdaq Stockholm AB, 556420-8394, with its registered office in Stockholm, may hereby submit an annual report for the financial year 2020.

Information about the business

Nasdaq Stockholm 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, 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. The company also offers trading in Swedish, Norwegian, Finnish and Danish stock options, index options, 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 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 138 (141) members at December 31, 2020. In 2020, there were 8 new members and 11 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, 2020, the total number of companies listed in the primary market amounted to 342 (340).

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 to their own online trading services.

ARM och APA

Nasdaq Stockholm's APA (Approved Publication Arrangement) is an authorized reporting service according to MiFID II / MiFIR¹. An APA reports and publishes all trading conducted in EU listed instruments outside a regulated market, which is performed by market participants who according to MiFID II / MiFIR are subject to the transparency requirement.

Nasdaq Stockholm's ARM (Approved Reporting Mechanism) offers transaction reporting according to MiFID II / MiFIR to both Nasdaq Stockholm's members and other market participants.

¹ Directive 2014/65/EU and Regulation (EU) No 600/2014 on Markets in Financial Instruments, commonly referred to as MiFID II and MiFIR, were adopted by the European Parliament and the Council of the European Union. They were published in the EU Official Journal on 12 June 2014.

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.

Credit Risk

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.

Credit Risk from 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 favourable 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, 2020, the average duration of these assets was 0.89 years (0.42).

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 (47) new companies were listed, of which 16 (16) on the main market and 41 (31) on Nasdaq First North, yielding approximately SEK 20.9 billion (26.8) in raised capital for listed companies. These numbers includes a total number of 8 (7) companies transferred from Nasdaq First North to the Nordic main market during 2020. Equities trading at Nasdaq Stockholm increased 31.8% to an average daily trade of SEK 22.4 billion compared with SEK 17.0 billion in 2019. Trading in exchange-traded funds (ETFs) on Nasdaq Stockholm increased 34.9% to an average daily trading of SEK 544 million compared with SEK 403 million in 2019.

Nasdaq Stockholm's share of order-book trading in the company's listed shares inclined to 78,9% compared with 73,8% in 2019. The number of total cleared derivative contracts decreased 5.3% to an average of 339,432 (358,417) contracts per day.

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

In a judgment on August 26, 2020 the Administrative Court overturned the Swedish Financial Supervisory Authority's decision. In summary, the Court found that the Swedish Financial Supervisory Authority lacked legal basis for its decision to issue a warning combined with an administrative fine to Nasdaq Stockholm. In particular, the Court noted that the Swedish Financial Supervisory Authority had not shown that Nasdaq had broken any rule in the applicable legislation. The Court consequently set aside the fining decisions of the Swedish Financial Supervisory Authority.

Earnings trend in 2020

Equity turnover for the full year amounted to SEK 5 645 billion (4 255). A total of 139.3 million (88.9) equity transactions were conducted during the year. The average turnover in equities trading increased to SEK 22.4 billion (17.0) per day. The OMXS30 Index closed at 1,874.7 (1,771.9), up 5.8%. The total market capitalization at December 31 was SEK 8,764 billion (7,730).

The number of total cleared derivative contracts decreased by 4.5% to 85,536,864 (89,604,250) contracts.

Revenues increased by 11% to SEK 1 953 million (1 176), primarily as a result of the increase in transaction revenues. Expenses excluding depreciation/amortization increased by 2.1% to SEK 723 million (708). EBITDA increased by 16.2% to SEK 1 230 million (1 058), corresponding to an EBITDA margin of 63% (60%).

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 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. The sustainability report has been handed over to the auditor at the same time as the annual report.

Five-year summary

Amount in kSEK

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net sales | 1 952 919 | 1 766 338 | 1 712 946 | 1 615 988 | 1 560 561 |
| Profit/loss after financial items | 1 223 399 | 1 053 903 | 1 048 741 | 965 202 | 899 918 |
| Operating margin (%) | 63% | 60% | 61% | 60% | 58% |
| Return on equity (%) | 146% | 103% | 91% | 79% | 65% |
| Balance sheet total | 1 985 119 | 1 772 896 | 1 684 482 | 1 781 050 | 1 774 156 |
| Equity ratio (%) * | 42% | 58% | 69% | 68% | 78% |
| Number of employees | 167 | 164 | 158 | 149 | 155 |

* Key performance indicator definitions are described in Note 24.

* The comparative figures for 2016 have not been recalculated in accordance with the accounting principle in Chapter 10 BFNAR (K3) 2012: 1 for listing fees.

Proposal for profit distribution

The Board proposes that available funds, SEK

| | |
|------------------------------|--------------------|
| Profit/loss brought forward | 289 438 776 |
| Net profit/loss for the year | 477 868 397 |
| | 767 307 173 |

be appropriated as follows:

| | |
|--|--------------------|
| to shareholders is distributed (SEK 11.97 per share) | 474 000 000 |
| to be carried forward | 293 307 173 |
| | 767 307 173 |

The company's earnings and position in general are reported in the income statement and balance sheet below, cash flow analysis and notes.

Income statement

(Amounts in kSEK)

| | Note | 2020-01-01– 2020-12-31 | 2019-01-01– 2019-12-31 |
|--|------|---------------------------|---------------------------|
| Operating income | | | |
| Net sales | 2 | 1 952 919 | 1 766 338 |
| | | 1 952 919 | 1 766 338 |
| Operating expenses | | | |
| Other external expenses | 3 | -447 979 | -444 078 |
| Personnel costs | 4 | -249 978 | -236 506 |
| Depreciation and write-downs (and reversal thereof) of tangible and intangible fixed assets | | -5 029 | -1 849 |
| Other operating expenses | | -27 515 | -29 544 |
| | | -730 501 | -711 977 |
| Operating profit | | 1 222 418 | 1 054 361 |
| Profit from financial items | | | |
| Interest income and similar profit/loss items | 6 | 1 076 | 645 |
| Interest expenses and simliar profit/loss items | 7 | -95 | -1 103 |
| | | 981 | -458 |
| Profit/loss after financial items | | 1 223 399 | 1 053 903 |
| Appropriations | 8 | -625 000 | -215 000 |
| Profit/loss before tax | | 598 399 | 838 903 |
| Tax for the year | 9 | -120 530 | -180 728 |
| Net profit/loss for the year | | 477 869 | 658 175 |

Balance sheet

(Amounts in kSEK)

| | Note | 2020-12-31 | 2019-12-31 |
|---|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Capitalized expenditure on research and development work and similar work | 10 | 35 020 | 4 118 |
| Goodwill | 11 | 18 859 | 23 888 |
| | | 53 879 | 28 006 |
| Tangible assets | | | |
| Equipment, tools and installations | 12 | 433 | 570 |
| | | 433 | 570 |
| Financial assets | | | |
| Shares in group companies | 13,14 | 50 | 50 |
| | | 50 | 50 |
| Total non-current assets | | 54 362 | 28 626 |
| Current assets | | | |
| Current receivables | | | |
| Accounts receivables | | 121 226 | 104 329 |
| Receivables from group companies | | 1 521 261 | 1 376 047 |
| Current tax receivable | | 17 236 | 119 |
| Other receivables | | 14 628 | 17 276 |
| Prepayments and accrued income | 15 | 73 449 | 73 638 |
| | | 1 747 800 | 1 571 409 |
| Short-term investments | | | |
| Short-term investments | | 182 957 | 172 861 |
| Total current assets | | 1 930 757 | 1 744 270 |
| Total assets | | 1 985 119 | 1 772 896 |

Balance sheet

(Amounts in kSEK)

| | Note | 2020-12-31 | 2019-12-31 |
|-------------------------------------|------|------------------|------------------|
| Equity and liabilities | | | |
| Equity | 16 | | |
| Restricted equity | | | |
| Share capital | | 39 601 | 39 601 |
| Fund for development expenditure | | 33 200 | - |
| | | 72 801 | 39 601 |
| Non-restricted equity | | | |
| Retained earnings | | 289 438 | 329 463 |
| Profit/loss for the year | | 477 869 | 658 175 |
| | | 767 307 | 987 638 |
| Total equity | | 840 108 | 1 027 239 |
| Current liabilities | | | |
| Accounts payables | | 6 829 | 2 824 |
| Liabilities to group companies | | 771 610 | 369 728 |
| Current tax liabilities | 9 | - | 28 449 |
| Other liabilities | | 11 331 | 8 784 |
| Accrued expenses and prepaid income | 17 | 355 241 | 335 872 |
| | | 1 145 011 | 745 657 |
| Total equity and liabilities | | 1 985 119 | 1 772 896 |

Statement of equity

(Amounts in kSEK)

| | <i>Restricted equity</i> | | <i>Non-restricted equity</i> | | Total |
|--|--------------------------|---|------------------------------|---------------------------------|------------------|
| | Share capital | Fund for development expenditure | Retained earnings | Profit/loss for the year | |
| Opening balance 2019-01-01 | 39 601 | 252 | 329 159 | 785 052 | 1 154 064 |
| Transfer of last year's result | - | - | 785 052 | -785 052 | - |
| Transfer of Fund for development expenditure | - | -252 | 252 | - | - |
| <i>Transactions with owners:</i> | | | | | |
| Dividend paid | - | - | -785 000 | - | -785 000 |
| Profit/loss for the year | - | - | - | 658 175 | 658 175 |
| Closing balance 2019-12-31 | 39 601 | - | 329 463 | 658 175 | 1 027 239 |
| Opening balance 2020-01-01 | 39 601 | - | 329 463 | 658 175 | 1 027 239 |
| Transfer of last year's result | - | - | 658 175 | -658 175 | - |
| Transfer of Fund for development expenditure | - | 33 200 | -33 200 | - | - |
| <i>Transactions with owners:</i> | | | | | |
| Dividend paid | - | - | -665 000 | - | -665 000 |
| Profit/loss for the year | - | - | - | 477 869 | 477 869 |
| Closing balance 2020-12-31 | 39 601 | 33 200 | 289 438 | 477 869 | 840 108 |

Cashflow statement

(Amounts in kSEK)

| | Note | 2020-12-31 | 2019-12-31 |
|--|-------|-------------------|-------------------|
| Operating activities | | | |
| Profit/loss before financial items | | 1 223 399 | 1 053 903 |
| Adjustments for non-cash items, etc. | | | |
| Depreciation and impairment | 10,12 | 5 029 | 7 642 |
| | | 1 228 428 | 1 061 545 |
| Income tax paid | | -120 530 | -178 436 |
| Cash flow from operating activities before changes in working capital | | 1 107 898 | 883 109 |
| Changes in working capital | | | |
| Changes in operating receivables | | -176 391 | -203 089 |
| Changes in operating liabilities | | 399 354 | 210 172 |
| Cash flow from operating activities | | 1 330 861 | 890 192 |
| Investing activities | | | |
| Acquisition of tangible fixed assets | | -4 892 | - |
| Acquisition of intangible fixed assets | 10 | -25 873 | -29 205 |
| Cash flow from investing activities | | -30 765 | -29 205 |
| Financing activities | | | |
| Dividend paid | | -665 000 | -785 000 |
| Group contributions made | 9 | -625 000 | -215 000 |
| Cash flow from financing activities | | -1 290 000 | -1 000 000 |
| Cash flow for the year | | 10 096 | -139 013 |
| Cash and cash equivalents at beginning of year | | 172 861 | 311 874 |
| Cash and cash equivalents at year-end | | 182 957 | 172 861 |

* Cash and cash equivalents include Short-term investments and Cash and Bank.

Notes

Amounts in kSEK unless otherwise stated

Note 1 Accounting principles

General accounting principles

The annual report has been prepared in accordance with the Annual Accounts Act (1955: 1554) and BFNR 2012: 1 Annual Report and Consolidated Accounts (K3). The accounting principles are unchanged from the previous year.

Group affiliation

The closest parent company that prepares consolidated financial statements in which the company is a member is The Nasdaq Group, Inc., Delaware USA (corp. No. 52-1165937). www.nasdaq.com.

Revenue recognition

Revenue is reported at fair value of what the company has received or will receive. This means that the company reports the income at nominal value (invoice amount) if the company receives compensation in cash directly upon delivery. Deductions are made for discounts provided.

Financial instruments

Financial instruments are reported in accordance with BFNR 2012: 1 (K3), Chapter 12. See further description of the accounts for each category of financial instruments. See also Note 18.

Financial assets / liabilities held for trading

Financial assets / liabilities held for trading include securities and are reported at fair value. For listed financial instruments, the market value is calculated on the basis of current market quotations on the balance sheet date. All changes in value are recognized in the income statement.

Loan receivables and accounts receivable

Refers to accounts receivable, receivables from Group companies, other receivables and accrued income and is valued at acquisition value. All changes in value are recognized in the income statement.

Other financial liabilities

Refers to accounts receivable, receivables from Group companies, other receivables and accrued income and is valued at acquisition value. All changes in value are recognized in the income statement.

Participations in subsidiaries are exempt from BFNR 2012: 1 (K3), Chapter 12, and are reported at acquisition value, see also Notes 12, 13.

Remuneration to employees

Remuneration to employees refers to all types of remuneration that the company provides to the employees. The company's remuneration includes, among other things, salaries, paid vacation, paid absence, bonuses and post-employment benefits (pensions). Reporting takes place in line with earnings. Remuneration to employees after termination of employment refers to defined contribution pension plans. Plans are defined as defined contribution plans where fixed fees are paid and there are no obligations, either legal or informal, to pay anything additional in addition to these fees. The company has no other long-term remuneration to employees. Expenses for defined contribution plans are reported as an expense during the period in which the employees perform the services that form the basis for the obligation.

Share-based payments

All employees participate in Nasdaq Inc's long-term incentive program. The program includes, based on the personnel category, the allotment of shares and options in Nasdaq Inc. to which performance requirements and requirements for continued employment are linked to a certain extent. Utilization will take place within 3-5 years. The company is charged current costs for the option program from the parent company. The cost charged by the parent company is based on the value of the shares resp. the options have at the time of issue and are spread over the expected vesting period. The company follows the accounting principle in Chapter 26 BFNR 2012: 1 regarding the long-term share-based incentive programs for all permanent employees. The principle means that social costs are calculated and accrued on the number of earned shares during the entire length of the program, ie over the entire earning period, based on the market value.

Remuneration policy

Report on remuneration policy in accordance with Finansinspektionen's (SFSA) general advice on remuneration policy, FFFS 2016: 21, is published on the company's website, www.nasdaqomxnordic.com/omoss/legalstructure

Translation of items in foreign currency

Receivables and liabilities in foreign currency have been valued at the exchange rate on the balance sheet date. Exchange rate gains and losses on operating receivables and operating liabilities are reported in operating profit, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

Group contribution

Received and paid group contributions are reported as appropriations.

Tax

Under the heading Taxes in the income statement, current and deferred income tax is reported. The state income tax in Sweden is calculated on nominal book profit with additions for non-deductible items and with deductions for non-taxable income and other deductions. Deferred tax assets are reported for all deductible temporary differences and unutilized loss carryforwards, to the extent that it is probable that future taxable profits will be available against which the temporary differences or unutilized loss carryforwards can be utilized. The carrying amounts of deferred tax assets are tested at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the deferred tax assets. Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply for the period in which the receivables are settled or the liabilities are settled, based on the tax rates (and the tax legislation) that exist or in practice exist on the balance sheet date.

Fixed assets

Tangible and intangible fixed assets are reported at acquisition value less accumulated depreciation and any write-downs. Tangible fixed assets have been divided into significant components when the components have significantly different useful lives. Depreciable amount consists of the acquisition value less an estimated residual value if this is significant. Depreciation takes place on a straight-line basis over the expected useful life.

The following depreciation periods are applied:

Intangible assets

Capitalized expenditure on research and development work and similar work 5 years.
Goodwill 5 years.

Tangible assets

Equipment, tools and installations 3-5 years.

The company applies the so-called "capitalization model" for internally generated intangible assets. The method means that all expenses that meet the criteria in BFNAR 2012: 1 are capitalized as intangible fixed assets and depreciated during the asset's estimated useful life.

Cash flow analysis

The company applies an indirect method when preparing a cash flow analysis. Cash and cash equivalents are defined as short-term investments with a maturity of less than three months and cash and bank.

Receivables, liabilities and provisions

Unless otherwise stated above, current receivables are valued at the lower of their acquisition value and the amount by which they are expected to be settled. Long-term receivables and long-term liabilities are valued after the first valuation at accrued acquisition value. Other liabilities and provisions are valued at the amounts by which they are expected to be settled. Other assets are reported at acquisition value unless otherwise stated above.

Note 2 Distribution of net sales

Net sales are divided into business lines as follows:

| | 2020 | 2019 |
|--------------------------------|------------------|------------------|
| Transaction revenue | 878 081 | 726 688 |
| Market data | 416 897 | 412 707 |
| Issuers | 448 835 | 430 125 |
| Technology and system revenues | 148 855 | 150 148 |
| Other operating income | 60 251 | 46 670 |
| | 1 952 919 | 1 766 338 |

Note 3 Audit remuneration

| | 2020 | 2019 |
|------------------|-------------|-------------|
| Ernst & Young AB | | |
| Audit assignment | 750 | 750 |
| | 750 | 750 |

Note 4 Employees and personnel costs

| | 2020 | 2019 |
|--|----------------|----------------|
| <i>Average number of employees</i> | | |
| Men | 108 | 106 |
| Women | 59 | 58 |
| | 167 | 164 |
| | | |
| Board of Directors and CEO | 5 363 | 8 442 |
| (of which bonus and share-based compensation) | (3 383) | (6 783) |
| Other employees | 158 515 | 143 598 |
| (of which share-based payment) | (18 368) | (5 401) |
| | 163 878 | 152 040 |
| | | |
| <i>Pension and other social costs</i> | | |
| Pension costs for the Board and the CEO | 1 685 | 2 652 |
| Pension costs for other employees | 20 481 | 17 756 |
| Other social costs according to log and agreement | 33 493 | 61 181 |
| | 55 659 | 81 589 |
| | | |
| <i>Gender distribution among senior executives</i> | | |
| Proportion of women on the board | 29% | 40% |
| Proportion of men on the board | 71% | 60% |
| Proportion of women among other senior executives | 0% | 0% |
| Proportion of men among other senior executives | 100% | 100% |

The information refers to the situation on the balance sheet date.

Remuneration structure 2020

Nasdaq employee compensation consists of fixed and variable remuneration as well as pensions and other benefits. The variable remuneration is divided into a short-term and a long-term incentive program. The short-term incentive program covers all employees and is cash-based compensation linked to various goals in the business.

Share-based compensation

In December 2008, the Nasdaq Board of Directors decided to implement a long-term incentive program for all employees employed until further notice. This program consist of share-related instruments linked to the Nasdaq share which is listed on the Nasdaq Stock Market in the USA. The long-term the incentive program is a performance-based program. The measure of performance is Nasdaq's operating profit for each year. The principles for share-based payment and its components are described in more detail below.

The size of an employee's share-based payment depends on the company's results, the business area's results, the team's goals and results and which position of the employee in the company. The long term incentive program's share based compensation includes three different instruments:

- "Performance Share Units (PSUs) with 1-Year performance", transferred to the employee with 1/3 per year. The number of shares transferred is linked to Nasdaq's earnings (Corporate Operating Income), with a pay out range of 0-150%, i.e. the number of shares transferred may be lower or higher.
- "Performance Share Units (PSUs) with 3-Year performance", transferred to 100% after 3 years. The number of shares transferred is linked to "Total Shareholder Return" (TSR) and to the S&P 500 result. The number of shares transferred may be lower or higher.
- "Restricted Stock Units (RSUs) that vest over time" (not performance based), transferred 25% after 2 years, 25% after 3 years and 50% after 4 years. The number of shares allotted is always the same as that transferred.

Depending on the position they hold, employees have been assigned a number of RSUs, a combination of RSUs and PSUs, or a combination of 1-year PSUs and 3-year PSUs.

Social costs on share-based payments

According to Chapter 26, share-based payments, in BFNR 2012: 1 Annual Report and Consolidated Accounts (Q3), the social costs of share-based payments are calculated and accrued on the number of shares received continuously throughout the program, i.e. over the entire vesting period.

Pensions

Nasdaq-Sweden offers its employees a market occupational pension that is a premium-based Nasdaq pension plan. Pension age is 65 years.

Other benefits

In addition to the above-mentioned occupational pension premium, Nasdaq Sweden has taken out health insurance as well as occupational group life insurance (TGL), health insurance and occupational injury insurance (TFA). Employees also have the opportunity to supplement their protection via Nasdaq's voluntary group insurance.

Note 5 Purchasing and sales between group companies

| | 2020 | 2019 |
|--|------|------|
| Share of the year's total purchases made from other companies within the Group | 43% | 34% |
| Share of the year's total sales made to other companies within the Group | 8% | 9% |

The costs mainly consist of operating and development costs from NASDAQ Exchange and Clearing Services AB.

Note 6 Interest income and similar profit/loss items

| | 2020 | 2019 |
|--------------------------------------|--------------|------------|
| Interest income from group companies | 564 | 1 |
| Other interest income | 453 | 297 |
| Exchange-rate differences | 59 | 347 |
| | 1 076 | 645 |

Note 7 Interest expenses and simliar profit/loss items

| | 2020 | 2019 |
|--------------------------------------|-------------|---------------|
| Interest expenses to group companies | -15 | -53 |
| Other interest expenses | -80 | -1 004 |
| Exchange-rate differences | - | -46 |
| | -95 | -1 103 |

Note 8 Appropriations

| | 2020 | 2019 |
|--------------------------|-----------------|-----------------|
| Group contribution, paid | -625 000 | -215 000 |
| | -625 000 | -215 000 |

Note 9 Tax on profit for the year

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Current tax recognized in the income statement | -121 741 | -180 605 |
| Adjustment for previous years | 1 331 | -199 |
| Change in deferred tax regarding temporary differences | -120 | 76 |
| Total recognized tax | -120 530 | -180 728 |
| Average effective tax rate | 20,14% | 21,5% |
| Reconciliation effective tax rate | | |
| Recognized profit before tax | 598 399 | 838 903 |
| Tax on recognized profit as per current tax rate (21.4 %) | -128 057 | -179 525 |
| Tax effect of: | | |
| Other non-deductible expenses | -321 | -1 027 |
| Tax attributable to previous years | 1 331 | -199 |
| Non-taxable income | 6 517 | 12 |
| Other | - | 12 |
| Recognized tax | -120 530 | -180 727 |
| Average effective tax rate | 20,14% | 21,5% |

Note 10 Capitalized expenses for research and development work and similar work

| | 2020 | 2019 |
|---|----------------|----------------|
| Incoming acquisition values | 69 283 | 69 244 |
| Disposals | - | -4 018 |
| Acquisitions | 32 960 | 4 057 |
| Closing accumulated acquisition values | 102 243 | 69 283 |
| Incoming accumulated depreciation | -54 236 | -52 179 |
| Depreciation for the year | -2 058 | -2 057 |
| Closing accumulated depreciation | -56 294 | -54 236 |
| Incoming accumulated impairment | -10 929 | -10 929 |
| Closing accumulated impairment | -10 929 | -10 929 |
| Closing carrying amount | 35 020 | 4 118 |

Note 11 Goodwill

| | 2020 | 2019 |
|---|---------------|---------------|
| Incoming acquisition values | 25 146 | 25 146 |
| Closing accumulated acquisition values | 25 146 | 25 146 |
| Incoming accumulated depreciation | -1 258 | - |
| Depreciation for the year | -5 029 | -1 258 |
| Closing accumulated depreciation | -6 287 | -1 258 |
| Closing carrying amount | 18 859 | 23 888 |

Note 12 Equipment, tools and installations

| | 2020 | 2019 |
|---|----------------|----------------|
| Incoming acquisition values | 15 019 | 15 019 |
| Closing accumulated acquisition values | 15 019 | 15 019 |
| Incoming accumulated depreciation | -14 449 | -14 140 |
| Depreciation for the year | -137 | -309 |
| Closing accumulated depreciation | -14 586 | -14 449 |
| Closing carrying amount | 433 | 570 |

Note 13 Shares in group companies

| | 2020 | 2019 |
|---|-------------|-------------|
| Incoming acquisition values | 50 | 50 |
| Closing accumulated acquisition values | 50 | 50 |
| Closing carrying amount | 50 | 50 |

Note 14 Specifikation av andelar i koncernföretag

| Name | % | % | No. of | Carried amount |
|--------------------------------|---------|-------|--------|----------------|
| | capital | votes | shares | |
| Nasdaq Technology Italy S.r.l. | 5% | 5% | 5% | 50 |
| | | | | 50 |

| | Corp. ID no. | Registered office | Equity * | Profit/loss for the year ** |
|--------------------------------|--------------|-------------------|----------|--------------------------------|
| Nasdaq Technology Italy S.r.l. | 7 983 258 | Italy | 4 895 | 2 009 |

* Equity and the result for the year have been stated in full, regardless of ownership.

** Profit/loss for the year refers to profit/loss after financial items.

Note 15 Prepayments and accrued income

| | 2020 | 2019 |
|------------------------|---------------|---------------|
| Accrued income | 52 653 | 43 534 |
| Other prepaid expenses | 20 796 | 30 104 |
| | 73 449 | 73 638 |

Note 16 Number of shares

| | 2020 | 2019 | 2020 | 2019 |
|----------------|----------------|----------------|-------------|-------------|
| | Quotient value | Quotient value | No. of | No. of |
| Class A shares | 1 | 1 | 39 600 908 | 39 600 908 |

Note 17 Accrued expenses and prepaid income

| | 2020-12-31 | 2019-12-31 |
|---|-------------------|-------------------|
| Accrued salaries and other remuneration | 57 535 | 48 383 |
| Accrued holiday pay | 29 305 | 24 444 |
| Accrued social security charges | 11 770 | 12 301 |
| Deducted tax for staff | 3 365 | 3 561 |
| Prepaid income listing matters | 8 243 | 5 484 |
| Prepaid income members | 69 303 | 45 939 |
| Other prepaid income | 16 975 | 44 282 |
| Prepaid income listing matters | 158 745 | 151 478 |
| | 355 241 | 335 872 |

Note 18 Disclosures on financial instruments

| 2020-12-31 | Financial assets held for trade | Other financial assets | Non financial assets | Total |
|----------------------------------|--|-----------------------------------|---------------------------------|------------------|
| Accounts receivables | - | 121 226 | - | 121 226 |
| Receivables from group companies | - | 1 521 261 | - | 1 521 261 |
| Other receivables | - | 14 628 | - | 14 628 |
| Prepayments and accrued income | - | 6 807 | 66 642 | 73 449 |
| Short-term investments | 182 957 | - | - | 182 957 |
| Cash and bank balances | - | - | - | - |
| | 182 957 | 1 663 922 | 66 642 | 1 913 521 |

| 2019-12-31 | Financial assets held for trade | 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 |
| Prepayments 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 |

Note 18 Disclosures on financial instruments (continued)

| 2020-12-31 | Other financial liabilities | Non financial liabilities | Total |
|-------------------------------------|------------------------------------|----------------------------------|------------------|
| Accounts payable | 6 829 | - | 6 829 |
| Liabilities to group companies | 771 610 | - | 771 610 |
| Accrued expenses and prepaid income | 253 266 | 101 975 | 355 241 |
| Other liabilities | - | 11 331 | 11 331 |
| | 1 031 705 | 113 306 | 1 145 011 |

| 2019-12-31 | Other financial liabilities | Non financial liabilities | Total |
|-------------------------------------|------------------------------------|----------------------------------|----------------|
| Accounts payable | 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 |

Note 19 Information on other items not affecting cash flow

| | 2020-12-31 | 2019-12-31 |
|--|-------------------|-------------------|
| Initial balance | 40 039 | 51 113 |
| Change in consolidated receivables for Market Data and Technology Revenues | -243 | -12 424 |
| Other | 541 | 1 350 |
| | 40 337 | 40 039 |

Note 20 Pledged assets and contingent liabilities

| | 2020-12-31 | 2019-12-31 |
|------------------------|-------------------|-------------------|
| Pledged assets | None | None |
| Contingent liabilities | None | None |

Note 21 Proposed appropriation of earnings

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Proposed allocation of results | | |
| The Board proposes that available funds | | |
| Profit/loss brought forward | 289 438 776 | 329 463 930 |
| Net profit/loss for the year | 477 868 397 | 658 175 304 |
| | 767 307 173 | 987 639 234 |

be appropriated as follows:

| | | |
|--|--------------------|--------------------|
| to shareholders is distributed (SEK 11.97 per share) | 474 000 000 | 665 000 000 |
| to be carried forward | 293 307 173 | 322 639 234 |
| | 767 307 173 | 987 639 234 |

Note 22 Significant events after the end of the financial year

The outbreak of the Coronavirus (COVID-19) pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have led to substantial restrictions on customers' activities. COVID-19 has caused significant economic and financial turmoil around the world. Nasdaq Group have implemented risk management and contingency plans and have taken preventive measures and other precautions to maintain normal business operations.

Notwithstanding the broader economic consequences of COVID-19, the Company's underlying sales and margins remain stable. However, given the wide ranging economic uncertainty of the COVID-19 pandemic, management continues to take mitigating actions to reduce costs, limit losses, optimise the Company's cash flows and preserve liquidity. The company has considered the effects of COVID-19 in estimates used in the calculation of the company's assets and liabilities. No significant effects on the company's operations have been identified since the balance sheet date.

Note 23 Group information

Nasdaq Stockholm is a wholly owned subsidiary of Nasdaq Nordic Ltd, org. no. 1110552-9, which in turn is a wholly owned subsidiary of Nasdaq AB, org. no. 556243-8001, the Group's parent company is The Nasdaq Inc., org. no. 52-1165937 with its registered office in Delaware, USA.

Note 24 Definitions of key performance indicators

Operating margin

Operating profit as a percentage of net sales.

Adjusted equity

Equity plus untaxed reserves less deferred tax.

Return on equity

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

Equity ratio

Adjusted equity as a percentage of total assets.