

Annual report of
Nasdaq Clearing AB

556383-9058

for the financial year

2020-01-01 - 2020-12-31

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Directors' Report

The Board of Directors and the CEO, for Nasdaq Clearing AB, 556383-9058, with its registered office in Stockholm, may hereby submit an annual report for the financial year ended 31 December 2020.

The financial statements are presented in Swedish Kronor (SEK) and all values are rounded to the nearest thousand (SEK'000), except where otherwise indicated.

Information about the business

Nasdaq Clearing conducts authorized clearing operations, licensed under the European Market Infrastructure Regulation (EMIR)¹, and under the supervision of the Swedish Financial Supervisory Authority. Nasdaq Clearing acts as the central counterparty (CCP) for exchange and over the counter (OTC) trades in equity derivatives, fixed income derivatives, resale and repurchase contracts, power derivatives, emission allowance derivatives and seafood derivatives.

Through our clearing operations within the financial markets, Nasdaq Clearing is the legal counterparty and guarantees the fulfillment of each contract cleared. Nasdaq Clearing does not use these contracts for the purpose of trading on its behalf rather, Nasdaq Clearing bears the counterparty risk between the purchaser and seller in the contract.

In its guarantor role, Nasdaq Clearing has precisely equal and offsetting claims to and from clearing members on opposite sides of each contract, standing as the CCP on every contract cleared. In accordance with the rules and regulations of Nasdaq Clearing, default fund and margin collateral requirements are calculated for each clearing member's position in the accounts with the CCP. Delivery of underlying instruments are handled through delivery versus payment (DVP) transactions. Nasdaq Clearing also performs cash settlement of its derivative contracts through cash payments, either directly in the central banking system or, when this is not possible, through commercial banks with healthy credit ratings to minimize settlement risks.

Products and services

Nasdaq Clearing provides central counterparty services in the following markets:

- equity derivatives in the Nordic market
- fixed-income derivatives in the Nordic market;
- commodities derivatives linked to Nordic, German, German-Austrian, UK, French, Italian, Spanish and Dutch electricity, Dutch, German and UK gas, Norwegian-Swedish electricity certificates as well as to emission rights;
- seafood derivatives linked to Norwegian salmon; and
- repurchase contracts in bonds in the Nordic market

Customers

The company's target market is Europe with particular focus on the Nordic region and the United Kingdom. The company's customers are its members, which includes Swedish banks, foreign banks, securities companies, commodities producers and commodities brokerage firms that clears trades performed on their own or on their customers' behalf.

Clearing members

As of 31 December 2020, Nasdaq Clearing had a total of 182 clearing members trading in the Derivative (FIN) and Commodity Derivative Markets (COM). Our clearing members include:

- General Clearing Members (GCM), who can clear both their own trading and trading on their customers' behalf ((including non-clearing members (NCM's));
- Direct Clearing Members (DCM), who are active in Derivatives Markets (FIN) and can clear both their own trading and trading on their customers' behalf (but not NCMs).
- Clearing Members (CM), who are active in Commodity Derivative Markets (COM) and can clear both their own trading and trading on their customers' behalf (but not NCMs).
- Direct Clearing Clients (DCC), can clear both their own trading and trading on their customers' behalf (but not NCMs) with a requirement for an agreement with a Direct Clearing Agent.
- Direct Clearing Agent (DCA), who are active in Commodity Derivative Markets (COM) and representing a Direct Clearing Client and trade on behalf of a Direct Clearing Client.

During 2020, there were 3 (14) new clearing members and 38 (29) memberships were terminated.

¹ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories

Risk management

Nasdaq Clearing, through its operations as a Clearing House is subject to a number of identified risks related to our clearing operations. These are mainly; credit risk, market risk, liquidity risk, operational risk, legal and regulatory risk as well as business and strategic risk.

Risk Appetite

Nasdaq Clearing's Board of Directors is responsible for setting the company's risk appetites and tolerances. The risk appetite describes the risk limits within which Nasdaq Clearing must operate and which shall guide executive management in all strategic and operational decisions as well as in the drafting of policy and steering documents.

The three lines of defence model

The risk framework establishes the three lines of defence as basis for the management of risks. The three lines of defence aim to establish that all employees are responsible for managing risk, within the respective areas of their responsibility.

The first line of defence refers to the activities performed by line managers and staff to identify, assess and manage risk.

The second line of defence refers to the Risk Management- and Compliance functions who are independent from the business operations, and set the principles and framework for risk management, perform independent monitoring and control, facilitate risk assessments, ensure compliance with regulatory rules and requirements as well as monitor compliance with internal policies. The third line of defence refers to the internal audit function, which performs independent review of the operations including independent review of activities carried out by both the first and second line of defence. Second and third line of defence functions serve as independent advisors to the first line of defence, and report directly to the Board.

Governance

The Board has ultimate responsibility for management of the company's risks and to ensure that the company has implemented adequate risk management principles and governance structures. Nasdaq Clearing's principles for risk management are described in steering documents, which establish the company's minimum standards and limits for managing risk. Management committees, each with specified areas of responsibility, support the Board of Directors in fulfilment of its responsibilities.

Nasdaq Clearing utilizes an ERM Framework (Enterprise Risk Management), which ensures proper management of risk within the approved risk appetite and creates value for the company's customers and shareholders through objective and consistent identification, assessment, monitoring and measurement of the company's significant financial and non-financial risks. A joint risk taxonomy is applied throughout the Nasdaq Group which includes a standardized risk, control, root cause and process taxonomy.

Financial risk management

Credit risk

Nasdaq Clearing is exposed to counterparty credit risk and credit concentration risk and has implemented risk mitigating mechanisms and governing structures as outlined below.

Nasdaq Clearing manages its risk exposure per individual clearing member by setting qualitative and quantitative requirements, including requirements on minimum credit rating, financial position, liquid assets and capital. Minimum requirements on credit worthiness are stipulated in the membership agreements and all counterparties shall have sufficient credit rating.

The credit risk arising from accounts receivable is managed by the membership agreement, which stipulates that a company that is to become a clearing member must fulfill the criteria of the agreement and comply by Nasdaq Clearings regulations. The membership requirements also comprise qualitative requirements, such as organizational and operational requirements, requirements to maintain robust risk management procedures and certain regulatory and legal requirements. Nasdaq Clearing also performs monitoring procedures on an ongoing basis where members are required to provide documentation to prove that they have sufficient profitability and financial resources to conduct their business.

Collateral

Counterparties pledge collateral to cover potentially negative market values, as well as additional collateral to cover market fluctuations that may occur prior to the Clearing House closing the positions, should a counterparty default on payment to Nasdaq Clearing. Collateral requirements are calculated and monitored continuously and new collateral is collected at least daily. Nasdaq Clearing may, as needed, also require additional collateral from one or more counterparties over the course of a day.

Collateral comprise either cash funds in currencies approved by Nasdaq Clearing (SEK, EUR, DKK, NOK, USD and GBP) or securities approved by Nasdaq Clearing and pledged to Nasdaq Clearing. Collateral securities pledged are held directly in the name of Nasdaq Clearing on external trustee accounts and are immediately available to Nasdaq Clearing in the event of a default by the counterparty. Cash collateral is subject to title transfer, i.e. cash collateral posted to Nasdaq Clearing will legally be transferred to Nasdaq Clearing. Cash collateral is recognized in the balance sheet as an asset with a corresponding liability when a transfer of ownership has occurred in Nasdaq Clearing.

Regulatory capital

Nasdaq Clearing is at all times required to retain adequate regulatory capital to fulfil its obligations as a regulated central counterparty. Nasdaq Clearing's own funded regulatory capital consist of, Nasdaq Clearing's junior capital, senior capital and the Article 16 capital. The junior and senior capital are parts of the default waterfall. The junior capital is divided on the three markets (Financial, Commodities and Seafood) cleared by Nasdaq Clearing. In case of a member default, the junior capital should be used after the defaulted members' margin contributions and default fund contributions have been utilized. The senior capital is mutual for all three markets and can only be used after the relevant default fund has been used.

Financial risk management (continued)

The Article 16 capital is held to cover risks which are not covered by the default waterfall. In addition to the own funded regulatory capital, Nasdaq Clearing holds a capital buffer equal to 33% of the total regulatory capital requirement. The regulatory capital is held in highly liquid and immediately marketable assets, primarily Swedish government bonds. The regulatory capital buffer is held in other current assets.

As of December 2020, Nasdaq Clearing's Junior Capital amounted to 320 MSEK (Financial market 115 MSEK, Commodities market 200 MSEK, Seafood 5 MSEK) and Senior Capital comprised an additional 200 MSEK.

Default Reserves

Default reserves can be utilized by Nasdaq Clearing to cover any losses arising from the termination of defaulting counterparty's positions. Nasdaq Clearing divided the members' funds into four reserves: one that is utilized solely for default in the financial derivatives market, one that is utilized solely for the commodity derivatives markets (excluding salmon derivatives), one that is utilized solely in the salmon derivative market and finally, a mutualized reserve. The default reserves are funded entirely by members.

Default Fund	Amount	December 31,2020	December 31,2019
Financial Market	MSEK	1 537	1 880
Commodities Market	MEUR	197	141
Seafood Market	MNOK	40	48

The mutualized fund may be utilized regardless of the market in which the default occurs. The mutualized reserve may only be used after Nasdaq Clearing has first used its junior capital, the default reserve for the particular market and the senior capital.

Default Fund	Amount	December 31,2020	December 31,2019
Mutualized default fund	MSEK	543	517

In addition to the member-financed default reserves, members who are active in the interest-rate swap market also contribute additional risk-absorbing capital to a separate loss-sharing pool.

Investment of pledged collateral

Pledged cash collaterals are invested in highly liquid and immediately marketable fixed income instruments issued by government or supranational issuers with a good credit rating. Cash is also invested through short-term repurchase agreements whereby cash assets are invested against collateral in the form of government securities, supranational issuers or through short-term bank deposits in banks with a good credit rating.

Credit concentration risk

Credit concentration risk is continuously monitored and is mitigated primarily through concentration limits on collateral posted by clearing members to Nasdaq Clearing and on investments of cash collateral done by Nasdaq Clearing.

Liquidity risk

Liquidity risk is the risk of Nasdaq Clearing not being able to fund its short term operations and meet obligations as they become due. The primary liquidity risk for Nasdaq Clearing arise from its clearing operations, including operational problems at counterparty or settlement banks, late deliveries of underlying instruments on the expiration date of derivative contract, or if a member defaults against Nasdaq Clearing. Nasdaq Clearing maintains no interest-bearing liabilities and therefore has no refinancing risks. Nasdaq Clearing manages liquidity risks by only requiring collateral of very high quality from members and by placing its own financial resources in highly liquid assets. In addition, committed lines of credit from external banks totaling approximately 1,700 MSEK are available to Nasdaq Clearing as of December 31, 2020.

Market risk

Market risk is the risk that price changes will exceed the initial margin and also the risk of loss caused by market-price movements in the company's assets, and / or liabilities. Nasdaq Clearing is exposed to market risk in case of a clearing member default. In addition, Nasdaq Clearing is exposed to market risks linked to investments of pledged collateral and Nasdaq Clearing's own regulatory capital. Market risks includes currency risk, interest rate risk and market concentration risk further described below.

Currency risk

Currency risk arise primarily from translation risk of collateral posted in currencies other than the product denomination. Nasdaq Clearing monitors currency risk on a consistent to ensure appropriate actions are taken when needed. Collateral cash funds pledged by members are always reinvested in the currency in which the member has pledged the collateral.

Interest-rate risk

The interest-rate risk is primarily linked to regulatory capital investments and pledged cash collateral investments. These investments are mainly made in Swedish and European treasury bills, bonds and balances at central banks. Nasdaq Clearing does not use derivatives in its investing activities.

Market risk (continued)

Market-concentration risk

Market concentration risk is managed through imposing limits on issuers, issuance, and investment types. Monthly assessments are performed to determine whether the conditions in the financial market or the actual size of the portfolio justify immediate changes to any concentration limits.

Other

Nasdaq Clearing acts as a central counterparty to all derivative contracts cleared by Nasdaq Clearing. The fair value of these derivatives is impacted by changes in the price of underlying instruments and in market-interest rates. Since Nasdaq Clearing's transactions are always matched, this market risk has no impact on earnings or shareholders' equity, but solely impacts the balance sheet.

Non-Financial Risk Management

Strategic and business risks

Nasdaq Clearing is exposed to strategic and business risks due to changes in the business environment and adverse business decisions, inadequate implementation of decisions or inadequate response to changes in the business environment. Strategic and business risks are managed through the annual strategic planning process and integrated in the ERM framework, such as in risk assessments and RCSAs (Risk Control Self Assessments) as well as scenario assessments.

Operational risks

Operational risks relates to failure of employees and systems to perform tasks or processes due to internal or external factors.

Operational risks in critical processes are always identified, managed, measured and reported. Controls are identified and implemented to mitigate risks. Continuity plans are created and tested regularly, and the company performs continuous monitoring of outsourced functions. Independent validations and tests of risk models are performed to ensure that models are effective. Nasdaq Clearing also has a cyber-security program and a robust information security framework to ensure resistance to external and internal disruptions. Due to the Covid-19 pandemic recurring risk assessments are performed focusing on pandemic and business disruption risks.

Legal and regulatory risks

Legal and regulatory risks relate to risk of civil law consequences, including regulatory sanctions, fines and legal disputes. Given its role in capital markets as a reliable partner to the investing public, shareholders, supervisory authorities and customers, Nasdaq Clearing maintains the highest ethical standards in all interactions.

Management of legal and regulatory risks is achieved through the compliance programs.

Nasdaq Clearing continuously engages in proactive monitoring and dialog with supervisory authorities and other industry forums to stay abreast of any new or amended legislation.

Significant events during the financial year

Ongoing monitoring of previously incurred Nasdaq Clearing commodities default

In September 2018, a member of the Nasdaq Clearing commodities market defaulted due to inability to post sufficient collateral to cover increased margin requirements for the positions of the relevant member, which had experienced losses due to sharp adverse movements in the Nordic - German power market spread.

Immediately following the event, Nasdaq Clearing launched a comprehensive enhancement program to strengthen the resilience and robustness of the clearinghouse.

In December 2018, Nasdaq Clearing initiated a capital relief program. The capital relief program was a voluntary program open to each commodities default fund participant; each such participant who agreed to the capital relief program received a proportion of the funds made available under the capital relief program as reflected by their proportionate share of the aggregate of the clearing members' default fund replenishments. In 2018, Nasdaq Clearing recorded a charge of SEK 203 million related to this program.

Since the member default in 2018, Nasdaq Clearing has been working to maximize the recovery from the defaulted member. All funds recovered are applied towards the default fund participants on a pro rata basis. As of December 31, 2020, the expected recovery together with the capital relief program amounts to approximately 80% of the initial loss, of which the majority has been paid and the remainder is expected to be paid during 2021 provided that sale of certain transactions are closed.

In December 2018, the Swedish Financial Supervisory Authority (SFSA) **initiated a review of Nasdaq Clearing**. On January 27, 2021, the SFSA issued a warning combined with an administrative fine of SEK 300 million to Nasdaq Clearing based on their review. Nasdaq Clearing has assessed the SFSA's decision and has decided to appeal the decision to the Administrative Court. As of December 31, 2020, no accrual has been recorded related to this matter, as the outcome cannot be reasonably estimated. This is also reported as a "Contingent liability" in note 22.

Significant events during the financial year (continued)

COVID-19

The outbreak of the "SARS-CoV-2" (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.

Brexit

Nasdaq Clearing has worked together with its UK members to prepare for year-end 2020, when the EU-UK Brexit deal came into force, but largely without provisions for financial services. The Bank of England has granted Nasdaq Clearing temporary recognition, meaning that we can still offer clearing services to UK members, while we prepare an application for "permanent" recognition. Many UK firms have decided to establish EU entities for other reasons and around 50% of the UK clearing members have also moved their clearing business to these EU entities and are now EU clearing members with Nasdaq Clearing. The transition to the new Brexit environment was smooth and we have been able to provide uninterrupted clearing services to both UK and EU member firms.

Cyber Security Administrative Court Ruling

In a decision on 13 December 2016, the Swedish Financial Supervisory Authority issued Nasdaq Clearing with a fine of MSEK 25. Nasdaq Clearing appealed the Swedish Financial Supervisory Authority's decision on 2 January 2018 to the Administrative Court in Stockholm.

In a judgment on 26 August 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 fine Nasdaq Clearing. In particular, the Court noted that the Swedish Financial Supervisory Authority had not shown that Nasdaq Clearing had broken any rule in the applicable legislation. The Court consequently set aside the fining decisions of the Swedish Financial Supervisory Authority.

Organizational changes at Nasdaq Clearing

During the year, changes were made to the management group for Nasdaq Clearing AB, which as at 31 December 2020 includes: Julia Haglind (CEO), Irina Slinko (Chief Risk Officer), Kjersti Ulset (Head of Clearing Risk) Henrik Selhammer (Chief Operating Officer), Michael Nolte (Chief Technology Officer), Jan Axelsson (Chief Compliance Officer), Göran Bolin (Head of Business Development), Gustaf von Boisman (Head of Product Development), Erica Brown (Head of International Affairs), Audrius Žakas (Branch Manager Vilnius), Erik Flingtorp (Branch Manager Oslo) and Ida Nordenström (Legal Counsel). Further organizational changes have been made within risk management, during 2020, Jörgen Persson (Head of CRO Office), David Cook (Head of Market Risk) and Mikael Wallén (Head of Default Management) was hired to further strengthen the risk organization. The Compliance Function has also been enhanced and now consists of four full time compliance officers, including the CCO, dedicated to Nasdaq Clearing. At the end of 2020, the Clearing Group had 81 (68) direct employees.

Earnings trend 2020

In 2020, Nasdaq Clearing continued to work closely with its clearing members and customers to develop the business in line with its strategic goals. This includes increased operational and capital efficiency, a reinforced risk management framework, creating an environment for organic growth and supporting launches of new products and services.

Nasdaq Clearing AB's net sales amounted to 595 MSEK (563 MSEK). Sales increased mainly due to increased clearing volumes for commodities and interest, due to the turbulent market in 2020 and increased revenues from collateral management, due to high mark to market gains on investments and high fee income.

Operating expenses amounted to 301 MSEK (418 MSEK). The decrease in operating expenses were mainly due to an insurance payout for extra ordinary expenses taken in 2018 in relation to the default and the release of the regulatory fine in relation to the SFSAs Cyber Security investigation.

Profit before depreciation, amortisation, financial items and tax amounted to 294 MSEK in 2020 and 146 MSEK in 2019, corresponding to an EBITDA margin of 49% in 2020 and 26% in 2019.

Expected future developments

In 2021 we aim to strengthen Nasdaq Clearing's competitive landscape by continuing to offer an efficient and secure CCP-service and launch new solutions that help customers develop their business and manage challenges that arise as a result of regulatory requirements and market changes. We have largely completed our implementation of an improved risk management framework and anticipate this to be fully completed during 2021. We will also expand our products and service offering in equity-related derivatives and clearing of OTC products. We are also planning to introduce services for clearing of electricity trading with physical delivery for which Nasdaq Commodities has been appointed the nominated electricity market operator (NEMO) under Commission Regulation (EU) 2015/1222. This regulation establishes guidelines on capacity allocation and congestion management with Nasdaq Clearing as the central counterparty for clearing and settlement.

For the markets in which Nasdaq Clearing Operates, we will continue to implement processes and prepare our systems to comply with and support the Securities Depositories Regulation (CSDR).

Research and development

Research and development (R&D) constitute an integral part of operating activities with the primary aim of enhancing the efficiency of the operations, developing risk management and introducing new products and services. In 2020, investments were made to strengthen Nasdaq Clearing's risk management framework, expand the product range with clearing of spot market traded electricity and derivatives on a basket of equities. A new IT platform has been implemented to adapt systems to requirements in the Central Securities Depositories Regulation (CSDR).

Investments in R&D are expected to continue mainly in line with previous years, with continued focus on regulatory changes, IT, risk management and launch of new products and services. Costs related to R&D are accounted for within other entities in the Nasdaq Group and are made visible in Nasdaq Clearing's accounts in the form of re-invoiced costs from the subsidiary that owns the assets.

Nasdaq Clearing's branches abroad

Nasdaq Clearing Oslo NUF is a Norwegian branch of Nasdaq Clearing. Nasdaq Oslo NUF carries out tasks related to clearing activities under Nasdaq Clearing's EMIR license. Nasdaq Clearing also has a branch in Vilnius, Nasdaq Clearing AB Vilnius Branch, which carries out operational tasks.

Use of financial instruments

Nasdaq Clearing invests in interest-bearing assets. The financial instruments utilized for this purpose primarily comprise Swedish, European and US government bonds and treasury bills. Nasdaq Clearing also uses repurchase agreements whereby cash funds are invested mainly in return for collateral in the form of Swedish, European and US government bonds and treasury bills. No derivative instruments are used for investing activities. Currency derivatives may only be used to increase liquidity. Such currency derivative contracts are entered into directly with external banks.

Environmental impact

In accordance with the Annual Account Act, Chapter 6, Section 11, Nasdaq Clearing AB has chosen to provide the Sustainability Report separated from the Annual Report. Separate sustainability report is created by Nasdaq AB. Sustainability report has been submitted to the auditors with the Annual Report.

Ownership structure

Nasdaq Clearing AB 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 Nasdaq Inc., org. no. 52-1165937 with its registered office in Delaware USA.

Five-year summary

Amount in MSEK

	2020	2019	2018	2017	2016
Net sales	596	563	598	576	619
Profit/loss after financial items	291	141	-277	21	47
Operating margin (%)*	48,8%	25,1%	-45,5%	4,7%	7,6%
Return on equity (%)*	13,1%	6,7%	-13,0%	0,9%	2,0%
Balance sheet total	46 316	43 249	68 910	66 142	64 164
Equity ratio (%)*	5,1%	5,0%	3,1%	3,3%	3,7%
Equity ratio (excl. derivatives and repurchase transactions) (%)*	95,3%	87,9%	66,1%	93,3%	93,0%
Number of employees (Avg.)	71	67	66	67	70

* Key performance indicator definitions are described in Note 25.

Proposal for profit distribution

The Board proposes that available funds, SEK

Profit/loss brought forward	1 821 828 246
Net profit/loss for the year	240 144 094
	2 061 972 340

be appropriated as follows:

to be carried forward	2 061 972 340
	2 061 972 340

Income statement

(Amounts in kSEK)

	Note	2020-01-01 - 2020-12-31	2019-01-01 - 2019-12-31
Operating income			
Net sales	2	595 826	563 282
		595 826	563 282
Operating expenses			
Other external expenses	3,4	-238 145	-315 262
Personnel costs	5,6	-82 584	-72 463
Depreciation and write-downs of tangible and intangible assets		-343	-1 380
Other operating expenses	8	19 390	-29 095
		-301 682	-418 200
Operating profit	7	294 144	145 082
Income from financial items			
Interest income and similar profit/loss items	9	4 350	5 417
Interest expenses and simliar profit/loss items	10	-7 646	-9 011
		-3 296	-3 594
Profit/loss after financial items		290 848	141 488
Appropriations		-	-
Profit/loss before tax		290 848	141 488
Tax for the year	11	-50 704	-17 831
Net profit/loss for the year		240 144	123 657

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	12	-	332
		-	332
Tangible assets			
Equipment, tools and installations	13	1 401	1 428
		1 401	1 428
Financial assets			
Deferred tax assets	14	39	-
Other long-term receivables	15	3 733	5 001
		3 772	5 001
Total non-current assets		5 173	6 761
Current assets			
Current receivables			
Financial instruments subject to clearing			
Derivatives	20	9 367 378	9 815 566
Receivables from repurchase transactions		2 082 315	2 986 066
Investments of collaterals recieved as default reserve and margin requirement		32 438 194	28 054 277
Accounts receivable - trade		11 698	10 623
Receivables from group companies		1 087 348	619 306
Current tax receivables		39 113	-
Other receivables		3 211	317 784
Prepaid expenses and accrued income	16	18 792	12 379
		45 048 049	41 816 001
Short-term investments		1 203 606	1 383 731
Cash and bank		58 841	42 275
Total current assets		46 310 496	43 242 007
Total assets		46 315 669	43 248 768

Balance sheet

(Amounts in kSEK)

	Note	2020-12-31	2019-12-31
Equity and liabilities			
Equity			
Restricted equity			
Share capital		201 000	201 000
Statutory reserve		50 000	50 000
		251 000	251 000
Non-restricted equity			
Retained earnings		1 821 828	1 728 156
Profit/loss for the year		240 144	123 657
		2 061 972	1 851 813
Total equity		2 312 972	2 102 813
Provisions			
	18		
Provisions for pensions and similar obligations		-	121
		-	121
Current liabilities			
Financial instruments subject to clearing			
Derivatives	20	9 367 378	9 815 566
Liabilities, repurchase transactions		2 082 315	2 986 066
Liabilities to members pertaining to default reserve and collateral pledged		32 438 194	28 054 277
Liabilities to customer		5 829	4 149
Liabilities to group companies		46 977	42 340
Current tax liabilities		-	15 277
Other liabilities		13 019	157 190
Accrued expenses and prepaid income	19	48 985	70 969
		44 002 697	41 145 834
Total equity and liabilities		46 315 669	43 248 768

Statement of equity

(Amounts in kSEK)

	<i>Restricted equity</i>		<i>Non-restricted equity</i>		Total
	Share capital	Statutory reserve	Retained earnings	Profit/loss for the year	
Opening balance 2019-01-31	201 000	50 000	1 915 629	-206 080	1 960 549
Transfer of last year's result	-	-	-206 080	206 080	-
Foreign branches translation difference	-	-	18 607	-	18 607
Profit/loss for the year	-	-	-	123 657	123 657
Closing balance 2019-12-31	201 000	50 000	1 728 156	123 657	2 102 813
Opening balance 2020-01-31	201 000	50 000	1 728 156	123 657	2 102 813
Transfer of last year's result	-	-	123 657	-123 657	-
Foreign branches translation difference	-	-	-29 985	-	-29 985
Profit/loss for the year	-	-	-	240 144	240 144
Closing balance 2020-12-31	201 000	50 000	1 821 828	240 144	2 312 972

Cashflow statement

(Amounts in kSEK)

	Note	2020-12-31	2019-12-31
Operating activities			
Operating profit		294 144	145 082
Adjustments for non-cash items, etc.			
Depreciation/amortization and impairment		343	1 388
Changes in provisions		-121	-203 164
Share-based payment		-	-14
Exchange rate differences		-103	-
Interest received		4 350	5 417
Interest paid		-7 646	-9 011
Income tax paid		-105 132	85 970
Cash flow from operating activities before changes in working capital		185 835	25 668
Changes in working capital			
Changes in operating receivables		-159 690	149 825
Changes in operating liabilities		-159 838	-854 026
Cash flow from operating activities		-133 693	-678 533
Investing activities			
Acquisition of tangible assets		-213	-637
Disposal of tangible assets		-	-332
Disposal of intangible assets		332	-
Sale of non-current assets		-	4 712
Cash flow from investing activities		119	3 743
Financing activities			
Foreign branches translation difference		-29 985	18 607
Cash flow from financing activities		-29 985	18 607
Cash flow for the year		-163 559	-656 183
Cash and cash equivalents at beginning of year		1 426 006	2 082 189
Cash and cash equivalents at year-end		1 262 447	1 426 006

* Cash and cash equivalents are defined as immediately marketable assets in cash and bank and short-term investments.

Notes

Amounts in kSEK unless otherwise stated.

Note 1 Accounting principles

General accounting policies

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

Group affiliation

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

Revenue recognition

The Company's main income consists partly of transaction income which is income generated from clearing and partly of income from the management of pledged collateral. Income is reported in the income statement when it is probable that future economic benefits will accrue to the company and that these can be calculated in a reliable manner.

Leasing agreement

The Company reports all leasing agreements (both financial and operational) as well as operational leasing agreements. Operational leasing agreements are reported as an expense on a straight-line basis over the leasing period. See further Note 4.

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 or defined-benefit 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.

Long-term incentive programs

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 and options at the time of issue and is spread over the expected vesting period. Social costs regarding these share-related programs are finally determined upon utilization but are reserved on an ongoing basis over the vesting period based on the market value.

Social security costs on share-based payments

According to Chapter 26, share-based payments, in BFNR 2012: 1 Annual Report and Consolidated Financial Statements (K3), the social security costs of share-based payments are calculated and accrued on the number of shares received throughout the program, ie. over the entire vesting period.

Remuneration policy

Report on remuneration policy according to Finansinspektionen's general advice on remuneration policy, FFFS 2020: 25, is published on the company's website together with remuneration report for 2020, <http://business.nasdaq.com/trade/clearing/nasdaq-clearing>

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 and increase to that extent. 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..

Non-current asset

Tangible and intangible assets are reported at acquisition value less accumulated depreciation and any write-downs.

Tangible 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 expenses for research and development work and similar work 5 years

Tangible assets

Equipment, tools and installations 5 years

The Company applies the so-called the "capitalization model" for internally generated intangible assets.

The method means that all expenses that meet the criteria in BFAR 2012: 1 are capitalized as intangible assets and depreciated during the asset's estimated useful life.

Financial instruments

Financial instruments are reported in accordance with BFAR 2012: 1 (K3), Chapter 12. See further description for each category of financial instruments.

Financial assets / liabilities held for trading

Short-term investments

Nasdaq Clearing's short-term investments consist of treasury bills, bonds and other securities issued by the state, municipalities, Swedish bank limited companies and Swedish housing finance institutions. These investments are valued at fair value. The return and change in value are reported net in the income statement.

Derivative instruments - currency futures

Derivative instruments are valued at fair value and changes in value are recognized in the income statement. Fair value is based on quoted market prices. The book value of currency futures is reported in the balance sheet under accrued income and prepaid expenses or accrued expenses and prepaid income depending on its value on the balance sheet date.

Financial instruments subject to clearing operations

Derivative contract

Through the clearing business, Nasdaq Clearing AB is a counterparty in each derivative contract and thus guarantees the fulfillment of the contracts. The fair value of outstanding derivative contracts is reported gross in the balance sheet as a receivable from an acquiring counterparty and a liability to a selling counterparty, respectively. To the extent that there is contractual law and that the intention is to settle the items at the same time, receivables and liabilities are reported net. The company does not conduct its own trading in these instruments, which is why receivables and liabilities will always be in balance and why no profit effect arises. The fair value of forward contracts is determined using standard models based on observable market information including LIBOR and spot prices of underlying financial instruments. The fair value of option contracts is determined through the use of standard models based on observable market information including implicit volatility, interest rates and spot prices of underlying financial instruments. The fair value of futures contracts is determined based on quoted market prices and average quoted market interest rates.

Repurchase agreement (Scratch)

Through the clearing business, Nasdaq Clearing AB is the counterparty in each repurchase transaction and thus guarantees the fulfillment of the contracts. These repurchase agreements are not used for the company's own financing operations. In the balance sheet, the contracts are reported gross at fair value. Receivables and liabilities have been netted to the extent that there is a legal right of set-off and that the intention is to regulate the items at the same time.

Collateral provided to the clearing business

Through the clearing business, Nasdaq Clearing AB is a counterparty in each derivative agreement and thereby guarantees the fulfillment of each contract. Customers who through a derivative agreement receive an obligation to the company must provide collateral for this obligation in accordance with special rules for this. Collateral received and default fund contributions received in the form of cash and cash equivalents are reported in the balance sheet as assets and liabilities. Pledges and default fund contributions in the form of pledged securities and guarantees are not reported in the balance sheet as ownership has not been transferred to Nasdaq Clearing AB.

Warranty connections

Through the clearing business, Nasdaq Clearing AB is a counterparty in each derivative agreement and thereby guarantees the fulfillment of each contract. Realization of this guarantee obligation that has arisen in connection with insolvency is reported in the balance sheet as a current liability and as well as restricted cash and cash equivalents held for the obligation to settle the liability.

Loan receivables and accounts receivable

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

Other financial liabilities

Other financial liabilities refer to liabilities to Group companies, accrued expenses and other financial liabilities and are reported at acquisition value. All changes in value are recognized in the income statement.

Shares in group companies

Shares in Group companies are exempt from BFNAR 2012: 1 (K3), Chapter 12, and are reported at acquisition value after deductions for any write-downs.

Branches abroad

The Company's foreign branches are reported according to the so-called current exchange rate method, which means that receivables and liabilities in foreign currency from the branches have been valued at the exchange rate on the balance sheet date and income and expenses are translated at the average exchange rate. 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.

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 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
Stock & index products	162 603	167 456
Interest rate products	121 988	119 361
Raw material products	178 779	158 636
Collateral management	97 494	84 524
Other income	34 962	33 304
	595 826	563 282

Note 3 Auditor's remuneration

	2020	2019
<i>Ernst & Young AB</i>		
Audit assignment	1 035	1 522
Other auditing activities	636	50
	1 671	1 572

Note 4 Leasing agreements - lessee

Operational leases

	2020	2019
Expensed leasing charges related to operational leases	4 386	4 771
Future minimum leasing charges for non-terminable operational leases:		
To be paid within 1 year	4 420	4 420
To be paid within 1-5 years	5 157	9 577
Total	9 577	13 997

Note 5 Employees

	2020	2019
Men	41	34
Women	30	33
	71	67

Note 6 Personnel costs

	2020	2019
Salaries and other remuneration		
Board of Directors and CEO	2 737	3 390
(of which variable part)	(541)	(571)
(of which share-based part)	(233)	(348)
Other employees	56 192	47 072
(of which share-based part)	(3 231)	(2 916)
	58 929	50 462
Social costs and pension costs		
Pension costs for the Board and the CEO	773	261
Pension costs for other employees	6 775	5 905
Other social costs according to law and agreement	15 528	15 046
	23 076	21 212

No remuneration has been paid to the Board other than salary.

Remuneration structure 2020

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

Share-based compensation

In December 2008, Nasdaq's Board of Directors decided to implement a long-term incentive program for all permanent employees. This program consists of stock-related instruments linked to Nasdaq's shares which are listed on the Nasdaq Stock Market in the USA. The long-term 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 compensation depends on the company's results, the business area's results, the team's goals and results and what position the employee has in the company.

The LTIP's share-based instruments comprise 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 result". 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.

Pensions

The Nasdaq Group offers its employees a market occupational pension that is a premium-based pension plan. Retirement age is 65 years.

Other benefits

In addition to the above-mentioned occupational pensions, Nasdaq has taken out health insurance and occupational injury insurance (TFA) for the above-mentioned occupational pensions. Employees also have the opportunity to supplement their protection via Nasdaq's voluntary group insurance.

	2020	2019
Gender distribution among senior executives		
Proportion of women on the board	50%	57%
Proportion of men on the board	50%	43%
Proportion of women among other senior executives	33%	50%
Proportion of men among other senior executives	67%	50%

Note 7 Purchasing and sales between group companies

	2020	2019
Percentage of total purchases during the year from other group companies	9%	10%
Percentage of total sales to other group companies	17%	13%

Note 8 Other operating expenses

<i>Default related costs</i>	2020	2019
Insurance compensation for costs relating to the 2018 capital relief program	29 000	-1 815
Cost of transfer of contract in default portfolio	-	-10 816
Other operating expenses	-9 610	-16 465
	19 390	-29 095

Note 9 Interest income and similar profit/loss items

	2020	2019
Interest income from group companies	2 112	5 415
Other interest receivables	277	2
Income from short-term investments	1 961	-
	4 350	5 417

Note 10 Interest expenses and similar profit/loss items

	2020	2019
Interest payables to group companies	-43	-254
Other interest expenses	-4 702	-8 325
Expenses from short-term investments	-643	-426
Other financial expenses	-2 258	-6
	-7 646	-9 011

Note 11 Tax on profit for the year

	2020	2019
Current tax	-50 897	-33 804
Adjustment related to prior years	-317	18 069
Adjustments in deferred tax related to temporary differences	510	-2 096
Tax on profit for the year	-50 704	-17 831
 Reconciliation effective tax rate		
Recognized profit before tax	290 848	141 488
Tax on recognized profit according to applicable tax rate (21,4%)	-62 241	-30 278
 Tax effect of:		
Other non-deductible expenses	-74	-55
Tax effect of translation difference	6 013	-3 697
Non-taxable income	5 405	67
Settlement tax paid abroad by branch not previously activated	-	18 069
Tax effect of utilized loss carryforwards	-	159
Adjustment of deferred tax attributable to branch	510	-2 096
Adjustment for previous years	-317	-
Recognized tax	-50 704	-17 831
 Effective tax rate	 17,43%	 12,6%

Information on deferred tax assets and liabilities.

Regarding the change in deferred tax liability, see note Provisions.

Note 12 Capitalized expenses for research and development work and similar work

	2020	2019
Opening cost	34 780	34 448
This year's acquisitions	-	332
Sales / scraps	-332	-
Closing accumulated cost	34 448	34 780
Opening amortisation	-22 868	-21 866
Amortisation for the year	-	-1 002
Closing accumulated amortisation	-22 868	-22 868
Opening impairment	-11 580	-11 580
Closing accumulated impairment	-11 580	-11 580
Closing carrying amount	-	332

Note 13 Equipment, tools and installations

	2020	2019
Opening cost	4 462	3 825
Additions	213	637
Currency exchange effect	223	-
Closing accumulated cost	4 898	4 462
Opening depreciation	-3 034	-2 655
Currency exchange effect	-120	-
Depreciation for the year	-343	-379
Closing accumulated depreciation	-3 497	-3 034
Closing carrying amount	1 401	1 428

Note 14 Deferred tax assets

	2020	2019
Opening cost	-	2 011
Adjustment of opening balance deferred tax	-	-2 096
Reversal / Additional tax receivables	39	85
	39	-

See also Note 11 Tax on profit for the year.

Note 15 Other long-term receivables

	2020	2019
Prepaid pension premium	3 733	4 903
Endowment insurance	-	98
	3 733	5 001
Incoming acquisition values	5 001	9 721
Incoming payments	-	-
Outgoing payments	-1 268	-984
Revaluations of the year	-	-
Impairments for the year	-	-8
Reclassification	-	-3 728
Closing carrying amount	3 733	5 001

Note 16 Prepaid expenses and accrued income

	2020	2019
Prepaid rental expenses	14	8
Prepaid interest expenses	13 637	11 827
Prepaid insurance premiums	264	297
Other prepaid expenses	4 877	247
	18 792	12 379

Note 17 Number of shares

	2020	2019	2020	2019
	Quota value	Quota value	Number of shares	Number of shares
A-class shares	100	100	2 010 000	2 010 000

Note 18 Provisions

	2020	2019
<i>Pensions and similar obligations</i>		
Amount at the beginning of the year	121	381
Amounts returned during the year	-121	-260
	-	121
<i>Deferred tax liability</i>		
Amount at the beginning of the year	-	246
Provisions for the year	-	-
Amounts returned during the year	-	-246
	-	-
<i>Deferred tax liabilities</i>		
<i>Other provisions</i>		
Amount at the beginning of the year	-	-203 118
Provisions for the year	-	-
Amounts returned during the year	-	203 118
	-	-

Note 19 Accrued expenses and prepaid income

	2020	2019
Accrued salaries and other remuneration	11 016	9 919
Accrued holiday pay	7 815	7 288
Accrued social security expenses	24	1 204
Other accrued expenses	28 875	52 558
Accrued volume discounts	1 255	-
	48 985	70 969

Note 20 Financial instruments in the clearing business, derivatives

<i>Market value of outstanding derivatives, gross</i>	2020	2019
Stock options and futures	1 441 944	1 065 285
Index options and futures	561 035	611 802
Interest rate options and futures	6 357 041	5 642 341
Commodity options and futures	1 007 358	2 496 137
	9 367 378	9 815 566

Note 21 Collateral received for the clearing business

	2020	2019
Obtained securities set "off balance"	46 163 490	34 891 914
Total collateral received	46 163 490	34 891 914

Note 22 Contingent liabilities

A. Bank guarantees placed with SEB

Bank guarantees placed with SEB for cash management purposes.

	2020	2019
Guarantees	38 375	41 836
	38 375	41 836

B. Administrative fine from the Swedish Financial Supervisory Authority

In December 2018, the Swedish Financial Supervisory Authority (SFSA) initiated a review of Nasdaq Clearing due to a default of a member within the commodity market. On 27 January 2021, the SFSA issued a warning combined with an administrative fine of SEK 300 million to Nasdaq Clearing based on their review. Nasdaq Clearing has assessed the SFSA's decision and has decided to appeal the decision to the Administrative Court.

As of 31 December 2020, no accrual has been recorded related to this matter, as the outcome cannot be reasonably estimated.

Note 23 Information on financial instruments

Assets at 2019-12-31	Financial assets held for trading	Financial assets which can be sold	Loans and customer receivables	Non-financial assets	Total
Financial instruments subject to clearing	12 801 632	28 054 277	-	-	40 855 909
Receivables from group companies	-	-	619 306	-	619 306
Accounts receivable - trade	-	-	10 623	-	10 623
Other receivables	-	-	-	317 784	317 784
Prepayments and accrued income	-	-	-	12 379	12 379
Short-term investments	1 383 731	-	-	-	1 383 731
Cash and bank	-	-	42 275	-	42 275
	14 185 363	28 054 277	672 204	330 163	43 242 007

Note 23 Information on financial instruments

Assets at 2020-12-31	Financial assets held for trading	Financial assets which can be sold	Loans and customer receivables	Non-financial assets	Total
Financial instruments subject to clearing	11 449 693	32 438 194	-	-	43 887 887
Receivables from group companies	-	-	1 087 348	-	1 087 348
Accounts receivable - trade	-	-	11 698	-	11 698
Current tax receivables	-	-	-	39 113	39 113
Other receivables	-	-	-	3 211	3 211
Prepayments and accrued income	-	-	-	18 792	18 792
Short-term investments	1 203 606	-	-	-	1 203 606
Cash and bank	-	-	58 841	-	58 841
	12 653 299	32 438 194	1 157 887	61 116	46 310 496

Liabilities at 2019-12-31	Financial liabilities held for trading	Financial liabilities which can be sold	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	12 801 632	28 054 277	-	-	40 855 909
Other provisions	-	-	121	-	121
Liabilities to group companies	-	-	42 340	-	42 340
Liabilities to customer	-	-	4 149	-	4 149
Accrued expenses and prepaid income	-	-	52 558	18 411	70 969
	12 801 632	28 054 277	99 168	18 411	40 973 488

Liabilities at 2020-12-31	Financial liabilities held for trading	Financial liabilities which can be sold	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	11 449 693	32 438 194	-	-	43 887 887
Liabilities to group companies	-	-	46 977	-	46 977
Liabilities to customer	-	-	5 829	-	5 829
Accrued expenses and prepaid income	-	-	29 945	19 040	48 985
	11 449 693	32 438 194	82 751	19 040	43 989 678

Note 24 Significant events after the end of the financial year

COVID-19

The outbreak of the "SARS-CoV-2" (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.

Member of the commodity market insolvent

The SFSA launched an investigation into Nasdaq Clearing in December 2018. The outcome of the investigation was announced after the end of the financial year on 27 January 2021. For further information about the outcome and the relating accounting treatment, please refer to Note 22.

Note 25 Definitions of key performance indicators

Balance sheet total

The Company's total assets.

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/assets ratio

Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of total assets.