

Nasdaq Copenhagen A/S

Nikolaj Plads 6

1067 København K

Business Registration No

19042677

Annual report 2018

The Annual General Meeting adopted the annual report on 27.05.2019

Chairman of the General Meeting

Name: Anne Zeuthen Løkkegaard

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Entity details

Entity

Nasdaq Copenhagen A/S
Nikolaj Plads 6
1067 København K

Central Business Registration No (CVR): 19042677

Founded: 10.01.1996

Registered in: København

Financial year: 01.01.2018 - 31.12.2018

Phone: 33933366

Website: www.nasdaqomxnordic.com

Board of Directors

Lauri Mikael Rosendahl, Chairman
Suzanne Dahl Wallin
Eva Christina Werner
Robert Ian Caisley
Karl Adam Jarl Christian Leif Kostyál

Executive Board

Nikolaj Kosakewitsch

Entity auditors

Ernst & Young Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
2000 Frederiksberg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nasdaq Copenhagen A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 27.05.2019

Executive Board

Nikolaj Kosakewitsch

Board of Directors

Lauri Mikael Rosendahl
Chairman

Suzanne Dahl Wallin

Eva Christina Werner

Robert Ian Caisley

Karl Adam Jarl Christian Leif
Kostyál

Independent auditor's report

To the shareholder of Nasdaq Copenhagen A/S

Opinion

We have audited the financial statements of Nasdaq Copenhagen A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 27.05.2019

Ernst & Young

Godkendt Revisionspartnerselskab

Central Business Registration No (CVR) 30700228

Anders Duedahl-Olesen

State Authorised Public Accountant

Identification No (MNE) mne24732

Management commentary

	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	354.868	337.249	347.468	335.950	310.869
Gross profit/loss	294.312	282.593	286.692	278.579	242.615
Operating profit/loss	252.703	241.606	241.697	229.133	196.336
Net financials	(121)	68	129	568	1.787
Profit/loss for the year	197.631	189.428	190.134	177.163	148.565
Total assets	355.403	340.478	342.308	324.209	297.831
Investments in property, plant and equipment	1.001	109	208	1.190	686
Equity	311.255	317.095	315.667	295.533	269.370
Ratios					
Gross margin (%)	82,9	83,8	82,5	82,9	78,0
Net margin (%)	55,7	56,2	54,7	52,7	47,8
Return on equity (%)	62,9	59,9	62,2	62,7	58,2
Equity ratio (%)	87,6	93,1	92,2	91,2	90,4

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The main activity for Nasdaq Copenhagen is to supply an effective and transparent infrastructure for issuers, members and investors. The company primarily generates income from three main areas: trading in securities, selling of information services, and equity and debt listings. The sale is aimed at external clients as well as clients within the Nasdaq group.

Development in activities and finances

IPO development

In 2018 three companies were welcomed on the main market - the same number as in 2017. Five companies were delisted from Nasdaq Copenhagen in 2018 - also the same number as in 2017. By end of 2018, 135 companies held the status of being admitted to trading and official listing on the main market, compared to 137 companies by year end 2017.

On Nasdaq First North Denmark nine new companies were listed for trading in 2018, compared to three companies in 2017. Only one company was delisted in 2018, compared to no delistings in 2017. At the end of 2018, 20 companies were listed on First North Denmark, compared to 12 companies by the end of 2017.

In 2018, issuances on the Main Market gave listed companies, excluding new companies, a capital injection of almost 3.3 billion DKK against 8.1 billion DKK in 2017. New companies obtained 26 million DKK in 2018, in connection with admission to trading and official listing, against 601 million in 2017. The proceeds from the sale of existing shares amounted to 3.6 billion DKK in 2018 against 713.7 million DKK in 2017.

The companies on First North Denmark raised 30 million DKK in 2018 against 77.5 million DKK in 2017. New companies on First North Denmark obtained 271 million DKK in 2018, in connection with admission to trading, against 91 million in 2017.

On the bond side a total of 189 bonds were listed during 2018, against 180 in 2017. At the end of the year, 1707 bonds were listed in Copenhagen of which 1586 are mortgage bonds, 47 are corporate bonds, 19 are government bonds and 55 are structured bonds. During 2018 there were four issuances on the First North Bond Market against two issuances in 2017.

During 2018, a total of 591 new warrants and certificates were listed. At the end of 2018 a total of 1152 warrants and certificates were admitted to trading.

In 2018 a total of 248 ETNs were admitted to trading compared to 540 ETNs in 2017. At the end of 2018 a total of 910 ETNs were admitted to trading.

In 2018, a total of 343 warrants (mini-futures) were admitted to trading compared to 186 warrants in 2017. At the end of 2018 a total of 236 warrants were admitted to trading.

On the investment fund market 30 new sub-funds were admitted to trading in 2018, against 29 new sub-funds in 2017. 18 sub-funds were removed from trading, mainly due to mergers with other listed funds and liquidations, compared to 25 sub-funds in 2017. By year end 2018, the total number of funds admitted to trading was 459, compared to 447 sub-funds by year end 2017.

On the AIF market (Alternative Investment Funds) two new issues were admitted to trading, compared to seven new issues in 2017. The total number of Alternative Investment Funds by the end of 2018 was 11.

Trading development on the Equity and Equity Derivatives markets on Nasdaq Copenhagen

2018 had 248 trading compared to 251 in 2017.

Development in share trading on Nasdaq Copenhagen

Despite a general market decline in pricing in 2018, there was continued growth in market capitalization among some of the bigger listed companies on Nasdaq Copenhagen. This resulted in additional companies growing into the Large Cap segment. By the end of 2018, Nasdaq Copenhagen therefore had a total of 43 listed Danish Large Cap companies.

Management commentary

Nasdaq Copenhagen remains the second largest stock market in the Nordic region following Nasdaq Stockholm. The total turnover in all Danish listed shares on Nasdaq Copenhagen was 1,448 billion DKK in 2018 as opposed to 1,498 billion DKK in 2017. The European MiFID II regulation came into force in beginning of 2018, which led to increased competition and fragmentation in trading of shares as a direct consequence of the regulation.

Despite increased competition, Nasdaq Copenhagen managed to retain a total consolidated market share of just above 50 percent at the end of 2018. In 2018 Nasdaq's total turnover in shares was the second best year ever.

Nasdaq experienced a significant increase of 12.7%, and a new record year in terms of numbers of trades in Danish shares despite the lower turnover traded on Nasdaq Copenhagen. In 2018, Nasdaq Copenhagen had 30.63 million trades whereas the total number of trades in Danish shares was 27.20 million trades in 2017.

The non-Nordic trading members' activity in trading Danish shares continued to grow in 2018 at Nasdaq Copenhagen. The non-Nordic members' share of total turnover was on a new all-time high of 75.9% of all trading activity in 2018: an increase of 8.6 % compared to 2017.

Development in the Danish Investment funds market on Nasdaq Copenhagen

The new European MiFID II regulation had a big impact on Danish fund issuers, distributors and general market participants trading within the Danish Investment Funds, as well as on Nasdaq Copenhagen. The Danish setup with having funds listed and traded on a marketplace like Nasdaq Copenhagen is a unique setup in both a European and Global perspective as opposed to Mutual Funds (UCITS) that are normally unlisted products and traded OTC (over the counter) by investors.

The main purpose of the regulation was to increase the transparency and drive more liquidity into the lit market, but especially for the unique Danish funds market it has had the opposite effect, driving more liquidity out of the listed and traded instruments on Nasdaq Copenhagen. The total Danish UCITS-ETF market turnover on Nasdaq Copenhagen declined with 60.8% in 2018 compared to 2017. The Total On- & Off Exchange turnover thereby declined from 345.7 billion DKK in 2017 to only 135.6 billion DKK in 2018.

One of the bigger Danish UCITS-ETF Issuers and distribution banks has, in contrast to all other market participants, decided to move all its liquidity and trading into Nasdaq's Order Books, which is the sole reason for the Order Book turnover's increase by 29.4% from 2017 to 2018. This has resulted in a total On-Exchange Order Book Turnover of 66.0 billion DKK.

Overall, the Danish UCITS-ETF segment remains the second largest Equity market product segment in Denmark, followed by the Danish listed and traded Shares on Nasdaq Copenhagen. However, because of the MiFID II impact and market fragmentation, the Danish UCITS-ETF segment declined in size from 18.6% of total equity market turnover (On- & Off-Exchange) in 2017 to only 8.5% of Total On- & Off-Exchange equity market turnover in 2018.

The development in Danish Exchange Traded Products (ETP's)

The fastest growing product group on Nasdaq Copenhagen in recent years was again in 2018 the Exchange Traded Products (ETPs), where the turnover grew to 14 billion DKK representing a 6.9% increase in turnover compared to 2017. Various new underlying instruments were issued throughout 2018 in the respective Danish Exchange Traded Notes (ETN) and Mini- Futures product segments.

The total number of ETP trades on Nasdaq Copenhagen has increased by 11.4%: from 181,725 transactions in 2017 to 202,401 ETP transactions in 2018. However, trading with ETNs remains the vast majority of the trading activity in the ETP segment, accounting for a full 94.15% with the remaining part being in the new Mini-Futures instruments.

Overall, the ETP segment remains a relatively modest part of the total Danish equity market accounting for only 0.9% of total equity market turnover.

Development in the Danish equity derivatives trading

The total trading activity in Danish equity derivatives increased by 9.24% in 2018 compared to 2017. In 2018, Nasdaq Derivatives saw a total 905,290 Danish derivative contracts traded and cleared at Nasdaq

Management commentary

Clearing. This increase was primarily due to increased demand in Futures in both C25 Index Futures and Single Stock Futures.

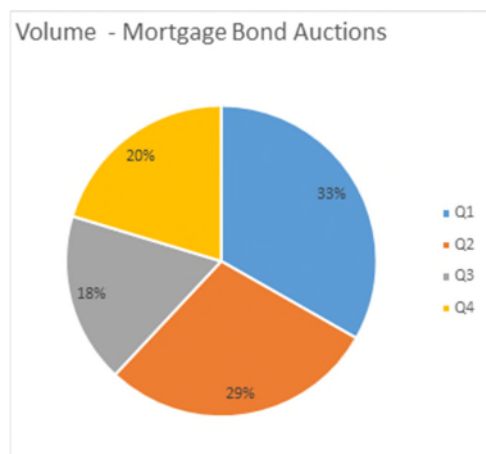
The most traded Danish derivatives contracts were yet again Single Stock Options with 609,633 contracts traded in 2018, which was an increase of 1.4% from 2017 to 2018. The second most traded Danish derivatives contract in 2018 was the C25 Index Future, which year over year increased in number of contracts by 9.1% resulting in 213,199 C25 Index Futures traded and cleared in 2018. The interest for trading Single Stock Futures increased significantly resulting in 73,266 contracts traded in 2018, which is equivalent to an increase year over year of 215.0% from 2017 to 2018.

Development in bond trading

The monthly average turnover value in 2017 ended at approximately DKK 488 billions. In 2018, the comparable monthly figure is down to DKK 339 billions. It is expected the turnover figures will stabilize around current levels.

Issuing via our Bond Auction system (New Mortgage Lending) continuous to be very strong and hence of great importance to Nasdaq Copenhagen's business. Annually the turnover exceeds DKK 301 billions.

The quarterly split is illustrated in below figure.



New issues listed in 2018 on Nasdaq Copenhagen main bond market are, 156 Mortgage bonds, 4 Government Bonds, and 7 Corporate bonds.

This leaves Nasdaq Copenhagen with a total number of 1707 Bond instruments listed on our main market end 2018.

Market data products

Nasdaq Nordic Global Information Services is recognized as a leading player in the development of high quality data products. Nasdaq Nordic offers a full range of real-time data products based on equities, bonds, derivatives and commodities for the Nordic market. Nasdaq Nordic offers its innovative market data products to professional and private investors worldwide. Nasdaq Nordics data products are essential tools for investors in order to identify trends in the market and thus make more qualified trading decisions.

Most investors gain access to Nasdaq's data products through market data distributors. Nasdaq also offers direct access to Nordic data products through real-time data feeds and web-based products.

The main European market data products include:

- Nordic Equity Totalview, which provides full market access to trading information, news and analysis of data for all Nordic stocks. The product also contains index values and liquidity indicators;
- Nordic Derivatives Totalview, which gives full market access to trading information, listing details, and

Management commentary

- Nordic Fixed Income Level 2, which provides listing details, order book information, bid and offer prices up to five levels, trade information, derived information, indicative bid and offer prices, daily turnover statistics and company information.

Among the new offerings in 2018 Nasdaq Nordic launched its ESG Data Portal based on Nasdaq Nordics ESG Issuer Guide. The ESG Data Portal supports sustainable investments across its Nordic markets. The Nasdaq ESG Data Portal is a centralized distribution point that offers investors access to standardised ESG data from Nordic listed companies, while listed companies are offered a single access point platform to publish and showcase their ESG reporting to investors.

2018 at Nasdaq Copenhagen

New companies at Nasdaq Copenhagen

In 2018, 11 new companies were admitted to trading on Nasdaq Copenhagen and the exchange regulated junior market Nasdaq First North:

- NPInvestor, First North January 17
- HRC World Plc., Hard Rock Café, First North February 6
- Agillic, First North March 22
- Happy Helper, First North April 26
- Netcompany, Nasdaq Copenhagen June 7
- Virogates, First North June 26
- Odico, First North July 2
- HypeFactors, First North September 3
- Nordea Finland, Nasdaq Copenhagen October 1 (technical listing as Nordea moved from Sweden to Finland)
- Den Jyske Sparekasse, Nasdaq Copenhagen November 22
- Seluxit, First North November 9
- Scape Technologies, First North November 26

Equity trading on Nasdaq Copenhagen

Equity trading in 2018 amounted to an average daily turnover of DKK 5.8 billion, which is just shy of the turnover record of DKK 5.9 billion in 2017. The average daily number of trades amounted to 123,281.

Campaign to focus on the beneficial effects of equity investments

In 2018 Nasdaq Copenhagen participated for the fourth time at the Folkemødet Political Festival in Allinge with two planned events on entrepreneurship and the societal value of equity investments as a growth vehicle for companies and wealth creation through investments.

Remote opening bell

On the program, Nasdaq Copenhagen hosted two events with the first one focusing on entrepreneurship and a celebration of the 1,000 listed companies milestone for the Nordics.

The morning panel had representatives from recently listed companies Netcompany A/S, Happy Helper A/S and Better Collective AB, who with Head of Listings Nasdaq Copenhagen Carsten Borring, had a chance to tell their story from garage to the exchange, and how their listing experience was more than just raising money and spreading ownership.

Political trading contest

As a warm up to the meetings, Nasdaq Copenhagen has for three months leading up to Folkemødet hosted a political equity trading contest. In order to spice up the competition, we invited six high school economics classes to participate in the competition and the ensuing debate at Bornholm.

In April the participants got 1 million fictitious Danish Kroner to invest for via Saxo Bank's trading platform. The primary goal was who could make the most of their investment. The secondary goal was to have the participants reflect on how public capital markets support job creation and economic growth in our societies,

Management commentary

and how investors can choose to “vote” with their liquidity and pick stocks that in some way or another support the participants’ worldwide; be it ESG factors, specific sectors or simply positive returns.

At Folkemødet, Nasdaq Copenhagen, the participants and a moderator from Børsen closed the market and announced the winner of the political trading contest.

Surprisingly, the second grade high school students from Niels Brock International High School won the competition with a return of 10 pct. ahead the politicians and the other high schools. The victory kicked-off a political debate on the need for capital markets and how to support growth and job creation.

The winner of the MPs internal competition was the Social Democrat Benny Engelbrecht.

Introduction of a Danish Investment Savings Account

Strong push on a political agenda have, after years of work, resulted in the approval of a Danish Share Savings Account. The Aktiesparekonto was formally agreed upon in 2018. Since 2014, where this tax model was recommended by Nasdaq Copenhagen and the IPO Task Force, we have had it as our highest political priority to promote the understanding of simpler and lower taxation of returns and dividends in Denmark. The Aktiesparekonto has been a central tool in this effort and its formal approval is an important step towards eliminating restrictive taxation rules on investments.

Statutory report on corporate social responsibility

Nasdaq Copenhagen has not defined any individual policies in respect of social responsibility, including environment, climate impact, human rights, anticorruption and social and employee conditions. The reason for this is due to the size, nature and location of the business it is assessed that there is little impact on these areas.

As a Danish Stock Exchange, Nasdaq Copenhagen plays a central role as both a capital transfer infrastructure and a way for retail and professional investors to seek returns and diversify their investments through a transparent, secure and trustworthy marketplace.

The dual function of the market is thus a prerequisite for the capital market ecosystem to function and for prosperity, development and growth to spread throughout society and the business life.

The dissemination of capital is a prerequisite for private individuals to finance real estate or to save up for retirement through the pricing and trading of bonds and shares taking place on Nasdaq Copenhagen.

The efforts Nasdaq Copenhagen goes through to offer our market participants the most quality-assured financial markets therefore has a dual purpose: On the one hand, it is a competitive parameter to offer a transparent and efficient trading platform. On the other hand, through a well-functioning infrastructure, we contribute to the financial markets generating growth in favour of retail and professional investors and businesses with growth on the agenda.

Central to maintaining a transparent and efficient market for securities trading is the trust that investors, companies, market participants, control agencies and other stakeholders have for our business. Therefore, through a number of initiatives in education, ethics and surveillance, we seek to make our market deserving of that trust.

Nasdaq Copenhagen and Volunteering

All Nasdaq employees are each year granted two full work days that each employee can devote to his or her charity or volunteer project of choice.

Nasdaq Nordic ESG work

Climate sustainability, social responsibility and governance issues have increasingly become an investment focus and have grown on the investors' agenda in 2018. With this in mind, Nasdaq Copenhagen became part of the UN's Sustainable Stock Exchange collaboration back in 2016, to work voluntarily to promote sustainable investment and transparency in the capital markets. As a central hub in the Danish financial markets, Nasdaq Copenhagen can play a central role in promoting how companies and the financial sector can support the UN's 17 Sustainable Development Goals.

Management commentary

In 2018, Nasdaq Copenhagen introduced the ESG Data Portal, which offers investors access to standardised, comparable ESG data in the same form they receive key financial data. Conversely, the ESG Data Portal offers issuers one central point of reporting for both ESG and financial metrics and a benchmark tool to compare their reporting to other listed companies at Nasdaq Nordic.

The data portal is based in Nasdaq Nordic's voluntary, globally standardized guide to ESG parameters (Environmental, Social and Governance metrics) that provide listed companies with a guideline for reporting on ESG and thus help investors seek sustainable investment opportunities.

System development

Following the many MiFID II related changes in Genium INET during 2017 there has only been minor changes during 2018. The only new feature implemented during 2018 is a Request for Quote functionality.

In August 2018, the Danish Investment Fund market was aligned to follow the MiFID II requirement to classify Danish Investment Funds as ETFs and Shares, depending on the fund characteristics. This initiative was driven by regulatory needs and the aim was to safeguard the continuation of Danish Investment Fund market on Nasdaq Copenhagen.

In November 2018, Nasdaq Copenhagen expanded the scope of instruments that are cleared by Central Counter Party (CCP) to include shares in the Small Cap segment. Further extension of the CCP cleared instrument scope to cover shares traded on First North Denmark is planned to be done in April 2019. By adding the Small cap and First North shares, the shares traded on Nasdaq Copenhagen become accessible for broader amount of investors, including non-Nordic investors.

Statutory report on the underrepresented gender

The elected board of directors of Nasdaq Copenhagen consists of five members of which three are male and two are female. Nasdaq considers the gender distribution to be satisfying for the time being. No gender distribution is reported in other management, as the company has less than 50 employees.

Education

Nasdaq Copenhagen offers guidance and educates issuers, traders and other market participants in order to ensure compliance with rules, including the issuers disclosure obligations. In 2018, 23 seminars and education events were held for groups and individual companies as well as Certified Advisors on First North, including two seminars together with the Danish Financial Supervisory Authority regarding the rules on disclosure obligations in the Market Abuse Regulation (MAR).

Ethics

All employees in Nasdaq Copenhagen are subject to an ethical code to ensure that Nasdaq Copenhagen performs with unrelenting ethical conduct in all circumstances. All employees must annually declare themselves in relation to this Code. On a consolidated basis, this report is followed up and it is made known by the Nasdaq Group to Nasdaq Copenhagen, if there are circumstances where the ethical code has not been adhered to or there are employees who have not declared themselves in relation to the ethical code. There have been no significant deviations from the ethical code in 2018.

Surveillance

Nasdaq Copenhagen Surveillance ensures that all new issuers and financial instruments fulfil the conditions for admission to trading. In addition, Surveillance continuously monitors the market to ensure the orderly functioning of the market with fair and transparent trading, and that the market receives accurate and timely information from the issuers. In 2018, eight issuers were sanctioned with a reprimand by Nasdaq Copenhagen, one issuer was sanctioned with a fine and one company admitted to trading on First North was deleted from trading as a sanction, while 11 cases of possible market abuse were forwarded to the Danish Financial Supervisory Authority.

For further information, see Decisions & Statements, as well as annual and monthly reports from Surveillance on Nasdaq Nordic, which is available on the website.

Management commentary

Development in economic conditions

Result

The result after tax was 197.6 million DKK in 2018, against 189.4 million DKK in 2017. The result is a bit higher than expected.

Net sales

Net sales increased 17.6 million DKK (+5%) to 354.9 million DKK, against 337.2 million DKK in 2017.

Operating costs

The company's operating expenses amounted to 102.4 million DKK in 2018 compared to 95.6 million DKK in 2017. The reason for the increase is due to higher external costs related to professional and contract services as well as regulatory cost.

Balance

At the end of 2018, the company's assets amounted to 355.4 million DKK against 340.5 million DKK at the end of 2017. The assets consist mainly of current assets amounting to 352.8 million DKK, against 338.6 million DKK at the end of 2017.

Net worth, including the restricted reserve, amounts to 311.3 million DKK at the end of 2018, against 317.1 million DKK at the end of 2017. The restricted reserve amounts to 53.7 million DKK at the end of 2018, which is unchanged from the end of 2017.

Uncertainty regarding recognition and measurement

No special uncertainties are considered for recognition and measurement in connection with the 2017 annual report.

Special risks

Business risks

Nasdaq Copenhagen remains the obvious choice for listing of companies domiciled in Denmark.

Continued globalisation has increased competition for trading of shares. In the bond market, the competition lay out is a little different, as internationally there is not the same trading tradition as in Denmark.

Earnings on trading are generally affected by the development of equity and bond turnover and are therefore largely outside the company's control. The increased competition on trading with large cap shares causes a greater pressure on trading revenue. By the end of 2018, Nasdaq Copenhagen had a market share of 66.9% of the trading in shares listed on Nasdaq Copenhagen compared to 65.5% in 2017.

Information revenue continues to be based primarily on sale of real-time information. This is due to the basic structure of the international financial information environment and therefore also applies to Nasdaq Copenhagen.

Currency risk

The company's currency risk mainly relates to payment for the development and operation of the company's trading and information transmission systems, settled in Swedish kroner. These services are received from Nasdaq Technology AB, a Nasdaq group company.

Interest rate risk

Interest rate risk arises in connection with interest bearing assets and relates primarily to the Nasdaq Copenhagen's liquidity surplus. Liquidity surpluses are invested internally in the Nasdaq Group through short loans to Nasdaq Treasury AB with a duration of approximately six months.

Operational risks

Management commentary

An important element in the operation of Nasdaq Copenhagen is IT and operational reliability. The primary IT partner is Nasdaq Technology AB. The company's trading system had an uptime of 100% in 2017.

Events after the balance sheet date

From the balance sheet date, up to now, there have not been any circumstances that adversely affect the assessment of the annual report.

Expected development

The company expects a profit for 2019 which is slightly lower than for 2018.

	Number	Nominal value DKK'000	Share of contributed capital %
Treasury shares			
Holding of treasury shares:			
Shares	5.645	565	1,4
	5.645	565	1,4

Income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	354.868	337.249
Other operating income		195	0
Other external expenses		<u>(60.751)</u>	<u>(54.656)</u>
Gross profit/loss		294.312	282.593
Staff costs	2	(41.248)	(40.492)
Depreciation, amortisation and impairment losses	3	<u>(361)</u>	<u>(495)</u>
Operating profit/loss		252.703	241.606
Other financial income	4	118	140
Other financial expenses	5	<u>(239)</u>	<u>(72)</u>
Profit/loss before tax		252.582	241.674
Tax on profit/loss for the year	6	<u>(54.951)</u>	<u>(52.246)</u>
Profit/loss for the year	7	<u>197.631</u>	<u>189.428</u>

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Other fixtures and fittings, tools and equipment		808	398
Leasehold improvements		805	575
Property, plant and equipment	8	1.613	973
Deposits		959	955
Fixed asset investments	9	959	955
Fixed assets		2.572	1.928
Trade receivables		21.546	18.992
Receivables from group enterprises		284.035	309.388
Deferred tax	10	3.936	164
Other receivables		148	149
Prepayments	11	1.105	1.914
Receivables		310.770	330.607
Cash		42.061	7.943
Current assets		352.831	338.550
Assets		355.403	340.478

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	12	40.000	40.000
Reserves according to the articles of association		53.657	53.657
Retained earnings		27.598	33.438
Proposed dividend		190.000	190.000
Equity		311.255	317.095
Deferred income	13	13.145	0
Non-current liabilities other than provisions		13.145	0
Trade payables		7.905	6.244
Payables to group enterprises		275	650
Joint taxation contribution payable		2.604	4.058
Other payables		12.692	10.706
Deferred income	14	7.527	1.725
Current liabilities other than provisions		31.003	23.383
Liabilities other than provisions		44.148	23.383
Equity and liabilities		355.403	340.478
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
Group relations	19		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Reserves according to the articles of association DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	40.000	53.657	33.438	190.000
Changes in accounting policies	0	0	(13.471)	0
Adjusted equity, beginning of year	40.000	53.657	19.967	190.000
Ordinary dividend paid	0	0	0	(190.000)
Profit/loss for the year	0	0	7.631	190.000
Equity end of year	40.000	53.657	27.598	190.000
				Total DKK'000
Equity beginning of year				317.095
Changes in accounting policies				(13.471)
Adjusted equity, beginning of year				303.624
Ordinary dividend paid				(190.000)
Profit/loss for the year				197.631
Equity end of year				311.255

Notes

	2018	2017
	DKK'000	DKK'000
1. Revenue		
Denmark	109.940	114.474
Other EU-countries	233.222	208.753
Other European countries	2.599	2.888
USA	0	2.459
Asia	9.107	8.675
	354.868	337.249

	2018	2017
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	33.493	32.291
Pension costs	2.601	2.467
Other social security costs	3.397	3.403
Other staff costs	1.757	2.331
	41.248	40.492

Average number of employees	35	38
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Persuant to Section 98(b) (3) of the Danish Financial Statements Act, remuneration of the Executive Board has not been disclosed.

	2018	2017
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	361	495
	361	495

	2018	2017
	DKK'000	DKK'000
4. Other financial income		
Financial income arising from group enterprises	112	139
Exchange rate adjustments	6	1
	118	140

Notes

	2018	2017
	DKK'000	DKK'000
5. Other financial expenses		
Other interest expenses	226	72
Interest regarding tax paid on account	13	0
	239	72
	2018	2017
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Current tax	54.925	52.206
Change in deferred tax	26	42
Adjustment concerning previous years	0	(2)
	54.951	52.246
	2018	2017
	DKK'000	DKK'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	190.000	190.000
Retained earnings	7.631	(572)
	197.631	189.428
	Other	Leasehold
	fixtures and	improve-
	fittings,	ments
	tools and	DKK'000
	equipment	DKK'000
	DKK'000	DKK'000
8. Property, plant and equipment		
Cost beginning of year	4.370	2.963
Additions	530	471
Cost end of year	4.900	3.434
Depreciation and impairment losses beginning of year	(3.972)	(2.388)
Depreciation for the year	(120)	(241)
Depreciation and impairment losses end of year	(4.092)	(2.629)
Carrying amount end of year	808	805

Notes

	Deposits DKK'000
9. Fixed asset investments	
Cost beginning of year	955
Additions	4
Cost end of year	959
Carrying amount end of year	959

	2018 DKK'000	2017 DKK'000
10. Deferred tax		
Property, plant and equipment	72	164
Liabilities other than provisions	3.864	0
	3.936	164

Changes during the year

Beginning of year	164
Recognised in the income statement	(26)
Recognised directly in equity	3.798
End of year	3.936

11. Prepayments

Prepayments relates to prepaid expenses.

	Number	Par value DKK'000	Nominal value DKK'000
12. Contributed capital			
Shares	400.000	100	40.000
	400.000		40.000

13. Long-term deferred income

Long-term deferred income relates to Listing services revenue which are recognized over time.

14. Deferred income

Deferred income relates to prepaid income.

Notes

	2018	2017
	<u>DKK'000</u>	<u>DKK'000</u>
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>5.732</u>	<u>5.732</u>

16. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Nasdaq Holding Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

17. Related parties with controlling interest

Nasdaq Holding Denmark A/S, Copenhagen, Denmark is the sole shareholder and therefore has the controlling interest.

18. Transactions with related parties

All related party transactions are conducted on an arm's length basis.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Nasdaq Inc., Delaware.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Changes in accounting policies

The Entity has decided to change its accounting policy on revenue recognition.

To improve a fair presentation of the Entity's activities, revenue is recognised with effect from 1 January 2018 according to the principles of the International Financial Reporting Standard *IFRS 15 Revenue from Contracts with Customers*. The core principle of IFRS 15 is that revenue must be recognised to depict the transfer of control of promised goods or services to the customer by an amount corresponding to the consideration to which the Entity expects to be entitled in exchange for those goods or services.

In prior years, revenue was recognised when the delivery was made, and the risk had passed to the buyer.

Application of transitional provisions

According to the transitional provisions of the Danish Financial Statements Act, comparative figures are not restated, and the accumulated effect of the transition is recognised in equity at the beginning of the financial year. Only contracts applicable in the current financial year are reassessed. Contracts that are completed before the current financial year are not reassessed.

Changes in accounting policies as a result of applying IFRS 15 subject to interpretation

In prior years, income from listing services was recognised at the time of invoicing. From now on income going forward will be recognised over time as the service is transferred to the customer.

The change in accounting policies leads to a reduction in revenue by DKK 300 thousand. The overall effect of the change in accounting policies is a decrease in profit for the year before tax of DKK 300 thousand. The tax for the year resulting from changes in accounting policies, which consists of an adjustment of deferred tax, is DKK 66 thousand, leaving a decrease in the net profit for the year of DKK 234 thousand. The balance sheet total is increased by DKK 0 thousand while equity at 31 December 2018 is decreased by DKK 13,705 thousand. The change in accounting policies does not affect the Entity's cash flows apart from a change in the presentation of cash flows from operating activities.

Income statement

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer.

Revenue mainly includes listing and issue income, transaction income and income from the sale of information.

Accounting policies

Listing income consists of the annual fee paid by companies, investment funds and bond issuers for being listed on Nasdaq Copenhagen.

Issue income comprises income from new listings made during the year and issues carried through by companies that are already listed etc.

Transaction income consists of income from the trading of shares, investment units, bonds and derivatives.

Income from the sale of information mainly consists of income from the sale of electronic real time information about price formation regarding the securities etc listed on Nasdaq Copenhagen, which is communicated through information providers.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 - 5 years
Leasehold improvements	3 - 5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Treasury shares

Acquisition and selling prices and dividends for treasury shares are classified directly as equity under retained earnings. Gains and losses on sale are not recognised in the income statement. Capital reduction by cancellation of treasury shares reduces the contributed capital by an amount corresponding to the nominal value.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The Company are part of the consolidated financial statement of Nasdaq Group Inc. With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the company is prepared.