

The Board of Directors and the President of

NCC Treasury AB (publ)

corporate registration number 556030-7091

hereby submit the

Annual Report

for the fiscal year January 1 - December 31, 2020

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Report of the Board of Directors

General operations

NCC Treasury AB (publ) is a wholly-owned subsidiary of NCC AB (publ), corporate registration number 556034-5174, with headquarters in Solna.

The company is the NCC Group's inhouse bank for the investment and borrowing of liquid funds. The company also provides counseling services. NCC Treasury AB manages interest rate, exchange rate, credit, refinancing, counterparty and liquidity risks within stipulated risk limits, see Accounting policies and valuation principles. NCC Treasury also manages price risks associated with oil-based products.

However, the company does not conduct in activities governed by the Swedish Banking Act, Swedish Credit Companies Act or the Swedish Finance Companies Act.

During the 2020 financial year, NCC Treasury AB (publ) generated a profit after financial items of SEK 137.3 M (139.9).

There is still uncertainty regarding the effects that the coronavirus pandemic will have on the global and Nordic economies and thus on the long-term market conditions for NCC Treasury AB. The pandemic has not in any material way impacted NCC as a Group, nor has it impacted NCC Treasury AB.

The operations in the company is scheduled to continue during 2021 according to current guidelines and policies (see Corporate governance below).

Multi-year review

	2020	2019	2018	2017	2016
Balance sheet in SEK thousands	31 Dec				
Total assets	12,973,620	13,934,962	12,083,986	11,089,622	11,181,415
Total shareholders' equity	140,520	141,949	21,264	14,594	4,439
Total liabilities	12,833,100	13,793,013	12,062,722	11,075,028	11,176,976
Total shareholders' equity and liabilities	12,973,620	13,934,962	12,083,986	11,089,622	11,181,415
Equity/assets ratio, %	1.1	1.0	0.2	0.1	0.0

	2020	2019	2018	2017	2016
Income statement in SEK thousands	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Net sales	-	-	-	-	-
Operating profit	-21,093	-19,981	-15,811	-16,154	-15,174
Profit after financial items	137,329	139,859	111,286	82,709	68,717
Net profit for the year	134,173	134,722	86,803	64,510	55,878

Change among senior executives

No changes among senior executives during the year.

Corporate governance

NCC Treasury AB (publ) has issued debt securities which are listed and thereby is required to prepare a Corporate Governance Report in accordance with the Annual Accounts Act.

NCC AB owns 100 % of the shares in NCC Treasury AB (publ) and therefore holds all the voting rights at the shareholder's General Meetings. According to the Articles of Association, a Board member is elected at the Annual General Meeting. Amendment to the Articles of Association is approved by the Annual General Meeting. The Annual General Meeting has not authorized the Board to decide on the subject to issue new shares or acquire own shares.

NCC Treasury's corporate governance guidelines are in line with the NCC Group's guidelines. NCC Treasury applies a risk-assessment and risk-management method for ensuring that the risk to which the company is exposed, and that can impact the internal control and financial statements, are addressed within the processes that have been established. The material risks that have to be taken into account include market risks, operating risks and the risks of errors in financial recognition. NCC Treasury AB's business operations as inhouse bank is regulated by a Group Treasury Policy that has been determined by the NCC Group's Board of Directors.

The Board has overall responsibility for the internal control of financial reporting. Each year, the Board establishes rules of procedure for the Board's work and an instruction concerning the division of work between the Board and the President. According to this instruction, the President is responsible for the internal control and for contributing to an efficient control environment.

At NCC Treasury, financial reporting and the management of risks are based on a number of control activities that are conducted in operations. The purpose of the control activities is to ensure the efficiency of the Group's processes and that the internal controls are adequate.

NCC Treasury AB complies with the internal policies, guidelines, manuals and codes to which the financial reporting is subject and are available on NCC's Intranet (MyNCC). The information also contains methodology, instructions and supporting documentation in the form of checklists etc. as well as overall time schedules.

Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC Treasury. NCC has developed a system (framework) for documented self-evaluation of internal controls that NCC Treasury AB complies with. Self-assessments are performed regularly and comprise a component for the Board's assessment of the internal control.

The status of the internal control set-up is reported annually at a meeting of the NCC Treasury AB Board.

Sustainability report

NCC Treasury AB has not prepared its own sustainability report on the basis of chapter 6 § 10 part 2 of the Annual Accounts Act. The company is covered by the sustainability report which is included as a separate section in NCC AB's annual report. See further in the note on group information regarding corporate registration number and headquarters.

Significant events during the financial year

NCC has made an amend and extend of the outstanding Revolving Credit Facility (RCF) signed at December 23rd, 2020 and the duration is prolonged to December 2022. The bank group has been reduced and now consists of SEB, SHB, Danske Bank and OP Bank. The volume has been lowered by EUR 65 M to EUR 260 M. The commercial terms and the financial covenant are the same.

Proposed distribution of earnings

Funds available for distribution by the Annual General Meeting:

Earnings brought forward	-9,803,623
Net profit of the year	<u>134,172,779</u>
Amount in SEK	<u>124,369,156</u>

The Board of Directors and the President proposes that the funds should be distributed as follows:

To be distributed to shareholders	122,000,000
To be carried forward	<u>2,369,156</u>
Amount in SEK	<u>124,369,156</u>

The company has transferred Group contribution to NCC AB at the amount of SEK 14,748,907.

Group contribution has, subject to approval of the Annual General Meeting, been transferred at the amount of SEK 14,748,907 which cause the non-restricted equity on balance sheet date, after taking tax effects into account, to reduce by SEK 11,592,641. The proposed change in value in the form of Group contribution reduces the equity/assets ratio to 1.1 percent before proposed dividend. According to The Board of Directors and the President the proposal is justifiable with regards to the company's need for shareholders' equity and deemed to satisfy the company's future capital requirements for future developments of the business operations. The liquidity in the company is expected to be maintained at a similarly satisfactory level. The transferred Group contribution can therefore be justified taking into account as outlined in Swedish Companies Act chapter 17 § 3 part 2-3. The company's external financial commitment is secured by parent company guarantees.

Income Statement

SEK thousands	Note	2020 Jan-Dec	2019 Jan-Dec
Selling and administrative expenses	1	-21,093	-19,981
Result from financial items			
Result from financial fixed assets	2, 3		146
Result from financial current assets	2, 4	233,733	265,264
Interest expense and similar items	5	-75,311	-105,570
Profit/loss after financial items		137,329	139,859
Tax on net profit for the year	6	-3,156	-5,136
Net profit for the year		134,173	134,722

Statement of comprehensive income

SEK thousands	Note	2020 Jan-Dec	2019 Jan-Dec
Net profit for the year		134,173	134,722
Fair value changes for the year in cash flow hedges		-5,109	6,143
Tax attributable to cash flow hedges		1,099	-1,315
Other comprehensive income		-4,010	4,829
Total comprehensive income during the year		130,163	139,551

Balance Sheet

SEK thousands	Note	2020 Dec 31	2019 Dec 31
ASSETS			
Fixed assets			
Receivables from Group companies	7, 8	3,151	133,166
Long-term receivables		1,265	7,902
Total fixed assets		4,415	141,068
Current assets			
Current receivables			
Receivables from Group companies	8	11,019,072	11,559,831
Other current receivables		18,414	61,222
Prepaid expenses and accrued income		5,938	4,025
Current receivables		11,043,424	11,625,078
Short-term investments	9	103,842	10,209
Cash and bank balances		1,821,938	2,158,607
Total current assets		12,969,204	13,793,894
TOTAL ASSETS		12,973,620	13,934,962
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital (120,000 shares with a par value of SEK 100 each)		12,000	12,000
Revaluation reserve		1,150	1,150
Statutory reserve		2,400	2,400
Hedging reserve		601	4,610
Restricted shareholders' equity		16,151	20,160
Unrestricted shareholders' equity			
Earnings brought forward		-9,804	-12,933
Net profit for the year		134,173	134,722
Unrestricted shareholders' equity		124,369	121,789
Total shareholders' equity		140,520	141,949
Long-term liabilities			
Bond loans	12, 13	1,700,000	1,700,000
Liabilities to Group companies	10	518	15,527
Other liabilities	8	3,151	704
Total long-term liabilities		1,703,669	1,716,231
Current liabilities			
Liabilities to Group companies	11, 13	11,060,623	12,000,897
Other liabilities	8	68,304	75,040
Accrued expenses and deferred income	14	504	844
Total current liabilities		11,129,431	12,076,782
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		12,973,620	13,934,962

Changes in shareholders' equity

SEK thousands	Restricted shareholders' equity				Unrestricted shareholders' equity	
	Share capital	Revaluation reserve	Statutory reserve	Hedging reserve	Earnings brought forward and profit for the year	Total shareholders' equity
Opening balance Jan 1, 2019	12,000	1,150	2,400	-218	5,932	21,264
Net profit for the year					134,722	134,722
Other comprehensive income				4,829	-	4,829
Total comprehensive Income				4,829	134,722	139,551
Group contribution					-24,002	-24,002
Tax on Group contribution					5,136	5,136
Total transactions with shareholders					-18,866	-18,866
Closing balance Dec 31, 2019	12,000	1,150	2,400	4,610	121,789	141,949
Opening balance Jan 1, 2020	12,000	1,150	2,400	4,610	121,789	141,949
Net profit for the year					134,173	134,173
Other comprehensive income				-4,010	-	-4,010
Total comprehensive Income				-4,010	134,173	130,163
Dividend					-120,000	-120,000
Group contribution					-14,749	-14,749
Tax on Group contribution					3,156	3,156
Total transactions with shareholders					-131,593	-131,593
Closing balance Dec 31, 2020	12,000	1,150	2,400	601	124,369	140,520

Cash flow statement

SEK thousands	Note	2020 Jan-Dec	2019 Jan-Dec
Operating activities			
Profit after financial items		137,329	139,859
Adjustments for items not included in cash-flow*)		-6,333	182,751
Cash flow from operating activities before changes in working capital		130,996	322,610
Cash flow from changes in working capital			
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in receivables		36,567	78,614
Increase(+)/Decrease(-) in liabilities		-2,648	14,385
Cash flow from the operating activities		164,915	415,609
Financing activities			
Loans raised		-	2,507,054
Amortizations of loans		-957,067	-785,698
Dividend		-120,000	-
Group contribution		-24,002	-111,286
Increase(-)/Decrease(+) in interest-bearing receivables		463,874	-691,497
Cash flow from financing activities	16	-637,195	918,573
Cash flow for the year		-472,280	1,334,182
Cash and cash equivalents on January 1		2,158,607	891,968
Exchange-rate differences in cash and cash equivalents		135,611	-67,543
Cash and cash equivalents on December 31		1,821,938	2,158,607

*) consists primarily of unrealized exchange rate differences

Addendum to cash flow statement

SEK thousands	2020 Jan-Dec	2019 Jan-Dec
Paid and received interest**		
Received interest	228,211	225,586
Paid interest	-73,519	-92,632
** included in cash flow from the operating activities before changes in working capital		
Cash and cash equivalents		
The following components are included in cash and cash equivalents		
Cash and bank balances	1,821,938	2,158,607
	1,821,938	2,158,607

Accounting policies and valuation principles

SEK thousands unless otherwise specified

General information

NCC Treasury AB, corporate registration number 556030-7091, is a Swedish registered company with headquarters in Solna. The address to the headquarters is Herrjärva torg 4, 170 80 Solna. The company is the NCC Group's inhouse bank for the investment and borrowing of liquid funds. The company also provides counseling services.

General accounting policies

NCC Treasury AB (publ) has prepared its Annual Report pursuant to the Swedish Annual Accounts Act (ÅRL) and the **Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, which means that the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretive statements issued by the International Financial Reporting Interpretations Committee (IFRIC) are applied in full with the exceptions and additions governed by RFR 2.**

New IFRS and amendments to IFRS to be applied from 2020

A small number of changes to existing standards and interpretations came into effect for fiscal years commencing after January 1, 2020. For 2020, NCC Treasury is applying the amendments to IFRS 9 Financial instruments in respect of the relief rules regarding the reference rate reform. These easements apply to hedge accounting and entail that the reform will not lead to the discontinuation of the hedge accounting. Other amendments of standards and interpretations had no material impact on the NCC Treasury AB's financial statements for the current year and are not expected to impact future periods or future transactions.

New IFRS and amendments to IFRS whose application has yet to commence

A small number of changes to existing standards and interpretations came into effect for fiscal years commencing after January 1, 2021. Although their impact on NCC Treasury AB's financial statements has yet to be established in detail, they are not expected to have any material effect.

Group companies

Those companies that are subsidiaries of NCC AB (publ) are referred to as Group companies.

Interest income and interest expense

Profit from the sale of securities is recognized net in "Result from financial current assets". Interest income on fixed assets is recognized as "Result from financial fixed assets". Interest earned on current assets is recognized as "Result from financial current assets". Interest payable on liabilities is recognized as "Interest expense and similar items". Interest pertaining to external interest rate swaps and currency forward swaps is offset under other interest expense. Interest on Group companies interest rate swaps and currency forward swaps is recognized as interest income for the interest received, and interest expense for interest paid. Changes in fair value regarding internal and external oil derivatives and currency options are recognized among interest income in the event of a positive change in value and among interest expense in the event of a negative change in value.

Taxes

Income taxes comprise current tax and deferred tax. Taxes are recognized in profit or loss, except when the underlying transactions are recognized in other comprehensive income, provided that the relating tax effect is recognized in other comprehensive income. Current tax is defined as tax that is to be paid or received during the current fiscal year, which also includes adjusted tax attributable to previous periods.

Deferred tax is recognized in the hedging reserve. Deferred tax is calculated based on the tax rate determined for the following year and this year's change in deferred tax due to changes in hedging reserve is recognized in other comprehensive income.

Financial instruments

Acquisitions and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset. Financial instruments recognized on the asset side of the balance sheet include cash and bank balances, short-term investments, other receivables, receivables from Group companies and accrued income. The liabilities side of the balance sheet includes bonds, liabilities to credit institutions, liabilities to Group companies, other liabilities and accrued expenses. A financial asset or financial liability is recognized in the balance sheet when the **company becomes a party to the instrument's contractual terms and conditions. A financial asset is derecognized from the balance sheet when the contractual rights have been realized or extinguished. The same applies to portions of financial assets. A financial liability is derecognized from the balance sheet when the contractual commitment has been fulfilled or otherwise terminated. This also applies to part of a financial liability.**

When entered for the first time, a financial asset is classified on the basis of NCC Treasury's business model for managing the financial asset and the character of the expected cash flows. Financial assets are only reclassified if the business model for the asset has been modified. A financial liability is recognized at amortized cost, apart from derivatives that are measured at fair value.

Measurement of financial instruments

Financial instruments are classified in one of the following measurement categories: Financial assets measured at fair value through profit or loss, Financial assets measured at amortized cost, Financial liabilities measured at fair value through profit or loss, Derivatives used in hedge accounting, or Other financial liabilities.

Financial assets measured at fair value through profit or loss

This category includes derivatives with positive fair value and interest-bearing securities for which NCC Treasury's business model is to maximize the return on the asset within given risk limits. Changes in fair value are recognized in net financial items in profit or loss. A derivative instrument that is an identified and effective hedging instrument is not included in this category. For the accounting of hedging instruments, see Derivatives used in hedge accounting below.

Financial assets measured at amortized cost

These include accounts receivable and loan receivables, as well as short-term investments (short term bank deposits) where the objective of the business model is to receive contractual cash flows up to maturity. These cash flows are received at predetermined points in time and solely comprise payment of principals and interest on the outstanding principals.

Financial liabilities measured at fair value through profit or loss

This category includes derivatives with a negative fair value, with the exception of derivatives that are identified as effective hedging instruments, see Derivatives used in hedge accounting below. Changes in fair value are recognized in net financial items.

Other financial liabilities

Loans and liabilities to Group companies are included in this category. Liabilities are measured at amortized cost. Any differences between the amount received and the repayment amount are recognized in profit or loss distributed over the term of the loan using the effective interest method.

Derivatives used in hedge accounting

Derivatives used in hedge accounting are recognized at fair value in the balance sheet. The change in value of an effective hedging instrument is recognized in the hedging reserve in shareholders' equity through other comprehensive income.

Impairment

NCC Treasury assesses expected loan losses based on prospective information for those financial assets recognized at amortized cost. A loss reserve is established in one of the following ways:

- for loss events that may be expected to be incurred within 12 months
- for loss events that may be expected to be incurred during the entire life of the asset.

A loss risk reserve for the entire life of the asset is established if, on the reporting date, the credit risk for the financial asset has risen significantly since initial recognition and, if this is not the case, a loss risk reserve is established within 12 months.

Hedge accounting

Interest rate derivatives are used to manage the interest rate risk. Hedge accounting occurs where effective hedging relationships can be proved. Changes in value, after income tax considerations, are recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffectiveness is recognized in net financial items. What NCC achieves by hedging interest rates is that the variable interest on parts of NCC's financing becomes fixed interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and immediately available balances with banks and similar institutions, as well as short-term investments with a maturity of less than three months at the acquisition date, and exposed to only a slight risk of value fluctuation.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are restated at the exchange rates prevailing on the balance sheet date. Exchange rate differences arising from the translation of financial assets and liabilities are offset in net financial items under "Interest expense and similar items". A specification regarding exchange rate differences is found in Note 5 "Interest expense and similar items".

Shareholders' equity

Group contributions are recognized based on their economic significance, meaning that Group contributions granted are recognized in shareholders' equity, net after tax, and the tax effect is recognized in profit or loss.

Pledged assets

The company has pledged a bond with a nominal value of SEK 10 M to SEB as collateral in order to conduct derivatives trading on NASDAQ Stockholm.

Cash flow statement

The cash flow statement is prepared using the indirect method, in accordance with IAS 7, Statement of Cash Flows.

Important estimates and assessments

The preparation of financial statements in agreement with RFR 2 often requires the use of a number of important accounting estimates. The company serves as an inhouse bank with responsibility for the investment and borrowing of cash and cash balances and, accordingly, the financial statements comprise primarily financial instruments. Management and the Board continuously monitor the general development of the Covid-19 virus and its impact on the company's operations. In NCC Treasury AB's balance sheet, it is mainly short-term investments and derivatives that are measured at fair value. Other financial instruments, such as receivables from and liabilities to Group companies and other receivables and liabilities, are recognized at amortized cost. The most significant assessments for NCC Treasury AB are presented in Note 17.

Notes

NOTE 1 SELLING AND ADMINISTRATIVE EXPENSES

The company had no employees during the year, instead it leased human resources from NCC AB (publ). No remuneration was paid to the Board of Directors or the President.

Audit assignments to PricewaterhouseCoopers AB amounted to SEK 305 thousands (293) and other audit costs apart from audit assignments amounted to SEK 60 thousands (60).

NOTE 2 SEGMENT REPORTING

NCC Treasury AB has no separable assets that meet the definition of an operating segment. Instead, the company is an entirety and measured as a whole by the company's executive decision-makers. The company has only one function, treasury management.

	2020	2019
	Jan-Dec	Jan-Dec
Geographical distribution of interest income (note 3, 4)		
Sweden	109,127	102,294
Norway	83,982	110,436
Denmark	15,367	26,107
Finland	13,045	14,411
Russia	-	2,327
Baltics and Poland	87	57
	221,608	255,632

NOTE 3 RESULT FROM FINANCIAL FIXED ASSETS¹⁾²⁾

	2020	2019
	Jan-Dec	Jan-Dec
Interest income, other Group companies	-	146
		146

NOTE 4 RESULT FROM FINANCIAL CURRENT ASSETS¹⁾

	2020	2019
	Jan-Dec	Jan-Dec
Interest income, Parent company	8,813	16,591
Interest income, other Group companies	209,864	236,022
Interest income, external	2,930	2,873
Net profit on financial assets/liabilities held for trading purposes, Group companies	12,126	-
Net profit on financial assets/liabilities held for trading purposes, external	-	9,778
	233,733	265,264

NOTE 5 INTEREST EXPENSE AND SIMILAR ITEMS¹⁾

	2020	2019
	Jan-Dec	Jan-Dec
Interest expense, Parent company	-81	-397
Interest expense, other Group companies	-8,026	-15,941
Interest expense, external	-42,643	-67,460
Net loss on financial assets/liabilities held for trading purposes, Group companies	-	-8,338
Net loss on financial assets/liabilities held for trading purposes, external	-13,464	-
Net exchange rate differences *	-667	292
Credit fees	-10,430	-13,725
	-75,311	-105,570
* of which		
Exchange rate differences on fixed assets, other Group companies	-	1,513
Exchange rate differences on financial current assets, Parent company	-	27
Exchange rate differences on financial current assets, other Group companies	-399,512	135,382
Exchange rate differences on financial current assets, external	135,581	-67,543
Exchange rate differences on financial liabilities, Parent company	389	-239
Exchange rate differences on financial liabilities, other Group companies	26,127	3,309
Exchange rate differences on financial liabilities, external	236,748	-72,156
Net exchange rate difference	-667	292

¹⁾ Result in notes 3, 4 and 5 pertains mainly to the measurement category amortized cost.

²⁾ Includes income from long-term interest-bearing securities and fixed assets only.

NOTE 6 TAX ON NET PROFIT FOR THE YEAR

	2020	2019
	Jan-Dec	Jan-Dec
Current tax assignable to Group contribution	-3,156	-5,136
	-3,156	-5,136

NOTE 7 LONG-TERM RECEIVABLES FROM GROUP COMPANIES

	2020	2019
	Dec 31	Dec 31
Accumulated acquisition value		
Carrying amount on January 1	133,166	159,111
Reclassified to current receivables	-132,463	-154,050
Receivables added	2,447	126,593
Foreign exchange-rate differences during the year	-	1,512
Carrying amount at year-end	3,151	133,166

NOTE 8 RECEIVABLES AND LIABILITIES ON GROUP COMPANIES

	2020	2019
	Dec 31	Dec 31
Long-term receivables from Parent company	-	-
Long-term receivables from other Group companies	3,151	133,166
Long-term receivables from Group companies	3,151	133,166
Current receivables from Parent company	202,983	1,233,053
Current receivables from other Group companies	10,816,089	10,326,777
Current receivables from Group companies	11,019,072	11,559,831
Long-term liabilities to Parent company	-	-
Long-term liabilities to other Group companies	518	15,527
Long-term liabilities to Group companies	518	15,527
Current liabilities to Parent company	274,212	188,425
Current liabilities to other Group companies	10,786,411	11,812,472
Current liabilities to Group companies	11,060,623	12,000,897

NOTE 9 SHORT-TERM INVESTMENTS

	2020	2019
	Dec 31	Dec 31
Carrying amount		
Interest-bearing securities	103,842	10,209
	103,842	10,209
Market value		
Interest-bearing securities	103,842	10,209
	103,842	10,209

NOTE 10 BOND LOANS AND COMMERCIAL PAPER

	2020	2019
	Dec 31	Dec 31
Long-term		
Bond loans, unlisted	100,000	100,000
Bond loans, listed on NASDAQ Stockholm	1,600,000	1,600,000
	1,700,000	1,700,000

The bond loans and commercial paper have remaining maturities ranging from 21 to 45 months with an average tied-up capital of 33 months (45) and with an average closing interest rate of 0.85 % (1.03).

NOTE 11 LIABILITIES TO CREDIT INSTITUTIONS

	2020 Dec 31	2019 Dec 31
Committed credit line		
Granted credit line	250,417	254,607
Unutilized part	-250,417	-254,607
Utilized credit amount	-	-
Total liabilities to credit institutions	-	-

NOTE 12 MATURITY OF LONG-TERM LIABILITIES AFTER YEAR-END

Maturities exceeding 5 years accounts for SEK 0 thousands (0).

Other long-term liabilities have maturities ranging from 1.0 to 3.8 years (see Analysis of maturities in note 15).

NOTE 13 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	2020 Dec 31	2019 Dec 31
Assets pledged	8,307	8,196
Contingent liabilities	None	None
Pledged assets for own liabilities	None	None

The company has pledged a bond with a nominal value of SEK 10 M to SEB as collateral in order to conduct derivatives trading on NASDAQ Stockholm.

The company had no pledged collateral for liabilities at year-end.

The external financial commitments of the company are guaranteed by the parent company.

NOTE 14 ACCRUED EXPENSES AND DEFERRED INCOME

	2020 Dec 31	2019 Dec 31
Accrued financial expenses	504	844
Total	504	844

The financial expenses consists of accrued interest expenses and credit fees.

NOTE 15 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Group Treasury Policy

NCC Treasury AB's task is to be the inhouse bank for the entire NCC Group. The business areas of the NCC Group and its subsidiaries manage their financial risks through NCC Treasury AB. The company's receivables and liabilities consist of loan liabilities and receivables and liabilities relating to derivatives.

NCC's financial flows and accompanying risks: interest rate, exchange rate, liquidity, refinancing and credit risks as well as price risks associated with oil-based products, are coordinated and managed by NCC Treasury AB.

The company shall act as an active business support to the NCC Group in the above mentioned risks and is responsible for **the overall management of NCC's borrowing.**

Operations are conducted within the framework of the NCC Group's Treasury Policy.

Contractual conditions

NCC is subject to a net debt/equity ratio financial covenant associated with the syndicated credit facility signed with a group of banks. In December, the maturity was extended from one to two years and the volume was reduced to EUR 260 M (325). NCC meets the requirements for the financial covenants.

Reference rate reform

NCC is tracking the transition from IBOR to RFR (risk-free reference rate) and adapting its operations through a flexible work process based on assumptions that can be adjusted on the basis of the changes occurring in the market.

Refinancing risk

The refinancing risk is defined as the risk that NCC Treasury AB will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments thus precluding the possibility of the company meeting its undertakings to Group companies. The company strives to spread its risk among various sources of financing (market-financing programs, bank loans and other loan structures) in order to secure the NCC Group's long-term access to borrowed capital. The NCC Group's policy for its refinancing risk is to ensure that NCC's interest-bearing corporate debt will have a maturity structure that minimizes the Group's exposure from the refinancing risk perspective. The maturity periods must be well diversified over time. The distribution norm is that the capital maturity period must be at least 18 months.

At December 31, NCC Treasury AB's interest-bearing gross debt amounted to SEK 12,753 M (13,710), of which external SEK 1,700 M (1,700), Parent company SEK 274 M (188) and other Group companies SEK 10,779 M (11,822). NCC Treasury AB's capital maturity period in terms of total interest-bearing liabilities was 4 months (6), of which external 33 months (45), Parent company 0.2 month (0.4) and other Group companies 0.04 month (0.1).

NCC Treasury AB has the following market financing programs:

Market financing programs

	Limit	Utilized Nom SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	
Medium Term Note (MTN) in Sweden*	SEK 5,000 M	1,700
TOTAL		1,700

* Green bonds, of which a nominal amount of SEK 1,600 M is listed on NASDAQ Stockholm.

Liquidity risks

The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations. To achieve adequate flexibility and cost-effectiveness, while ensuring that the NCC Group's future financing requirements are satisfied, the Group Treasury Policy states that the Group's payment capacity must correspond to at least 7 percent of annual consolidated sales, with at least 5 percent of this in the form of unutilized committed credit facilities. Payment capacity is defined as the Group's cash and cash equivalents, short-term investments and unutilized committed lines of credit, less market financing programs with a remaining maturity of less than three months. At year-end, the volume of unutilized committed credit facilities amounted to SEK 2,861 M (3,654), with an average remaining maturity of 1.9 years (1.8). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good creditworthiness and a liquid secondary market. In line with the Group's credit policy, NCC Treasury AB ensured during 2020 that the NCC Group's payment capacity corresponded to a minimum of 7 percent of annual consolidated sales, with at least 5 percent of this in the form of unutilized committed credit facilities.

Analysis of maturities (amounts including interest)

The table below shows NCC Treasury AB's financial liabilities (including interest payments) and net settled derivative instruments classified as financial liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance sheet date has been used. Amounts in foreign currency have been translated to SEK, based on the exchange rate applying on the balance sheet date. All amounts in the table are the contractual undiscounted cash flows.

Dec 31, 2020 in SEK M	Total	3 months-			
		<3 months	1 year	1-3 years	>3 years
External interest-bearing liabilities	1,743	4	11	972	756
Parent company interest-bearing liabilities	239	239			
Other Group interest-bearing liabilities	10,815	10,810	5		
External oil forward contracts	8	1	5	2	
Other Group oil forward contracts	2	0.2	2	0.2	
External interest rate swaps	1	0.1	0.2	0.4	
Total	12,808	11,054	23	975	756

Dec 31, 2019, in SEK M	Total	3 months-			
		<3 months	1 year	1-3 years	>3 years
External interest-bearing liabilities	1,770	4	14	884	868
Parent company interest-bearing liabilities	188	188			
Other Group interest-bearing liabilities	11,823	11,808	10	5	
External oil forward contracts	1		0.4	0.4	
Other Group oil forward contracts	2	0.2	1.4	0.1	
External interest rate swaps	-				
Total	13,784	12,000	26	890	868

The table below shows the company's gross settled derivative instruments. All amounts in the table are the contractual undiscounted cash flows.

Dec 31, 2020, in SEK M	Total	3 months-			
		<3 months	1 year	1-3 years	>3 years
External currency forward contracts					
- outflow	-4,399	-3,597	-765	-37	
- inflow	4,348	3,551	760	36	
Parent company currency forward contracts					
- outflow	0				
- inflow	0				
Other Group currency forward contracts					
- outflow	-824	-316	-472	-36	
- inflow	843	327	479	37	
Net flow from gross settled instruments	-32	-34	2	0	

Dec 31, 2019, in SEK M	Total	3 months-			
		<3 months	1 year	1-3 years	>3 years
External currency forward contracts					
- outflow	-8,832	-7,465	-1,242	-125	
- inflow	8,809	7,444	1,239	126	
Parent company currency forward contracts					
- outflow	0				
- inflow	0				
Other Group currency forward contracts					
- outflow	-1,288	-622	-540	-126	
- inflow	1,296	626	545	125	
Net flow from gross settled instruments	-15	-17	2	0	

Interest rate risks

The interest rate risk is the risk that changes in market rates will adversely affect NCC Treasury AB's cash flow or the fair value of financial assets and liabilities. The company's main financing sources are shareholder's equity, cash flow from the operating activities and borrowing within the NCC Group. Interest-bearing borrowing exposes the Group to an interest rate risk. The company is tasked with ensuring compliance with NCC's interest risk policy, namely, that the weighted average remaining period of fixed interest for NCC's interest-bearing corporate debt, when exposure is reduced by the period of fixed interest on cash and cash equivalents including interest rate swaps, should normally be 12 months subject to a mandate to deviate from this figure by +/- 6 months, and that the interest rate maturity structure of the debt portfolio should be adequately spread over time. If the available borrowing vehicles are not compatible with the desired interest rate structure for the debt portfolio, interest rate swaps are the main instruments used to adapt the structure. At year-end the fixed interest maturity period was 15 months (15), including interest rate swaps linked to the corporate debt.

In the financial statements, hedge accounting is applied when there is an effective connection between the hedged loan and interest rate swaps. When assessing effectiveness, NCC Treasury ensures that the financial correlation between interest rate swaps and underlying loans has been fulfilled by having the interest rate swaps denominated in the same currency, and that maturities, the timing of interest payments, nominal amounts and interest rate bases correspond with underlying loans. Interest rate swaps have the same quantity as underlying loans. NCC Treasury AB applies hedge accounting for a nominal amount of SEK 400 M (400), with STIBOR as the interest base, which will be affected by the reference rate reform. Ineffectiveness may arise if the points in time for the cash flow in the interest rate swaps do not fully match those of underlying loans and if the point in time for the switch in the reference rate deviates between the interest rate swap and the underlying loans. Ineffectiveness attributable to interest rate swaps was negligible in 2020. At year-end, interest rate swaps outstanding with Group companies amounted to a nominal value of SEK 0 M (0) and such swaps to external parties to a nominal value of SEK 590 M (590). The interest rate swaps had a fair value of SEK 1 M (7) net, comprising long-term receivables of SEK 1 M (7) and other current liabilities SEK 0 M (0). The interest rate swaps have due dates ranging from 1.5 (2.5) to 3.8 (4.8) years with an average fixed interest rate of -0.03 percent (-0.03). An increase in interest rates by one percentage point would result in a change of SEK 2 M (4) in net profit for the year and a change of SEK 9 M (11) in other comprehensive income resulting from a change in fair value of the interest rate swaps.

At year-end, NCC Treasury AB's interest-bearing gross debt amounted to SEK 12,753 M (13,710), of which external SEK 1,700 M (1,700), Parent company SEK 274 M (188) and other Group companies SEK 10,779 M (11,822). The fixed interest maturity period for gross debt was 0.4 month (2), of which external 3 months (17), Parent company 0.2 month (0.4) and other Group companies 0.04 month (0.1).

An increase in interest rate by one percentage point would impact NCC Treasury AB's annual earnings after tax as well as equity by SEK -20 M (-26), based on the interest-bearing assets and liabilities, including interest rate swaps, existing on the balance sheet date.

Exchange rate risks

The exchange rate risk is the risk that changes in exchange rates will adversely affect the company's income statement, balance sheet or cash flow statement. The NCC Group's business areas are responsible for eliminating transaction exposure as soon as it becomes known. When performing currency hedges, Group companies must engage NCC Treasury AB, who then carries out external hedges to match the internal currency forward contracts. On the balance sheet date, the company had net sales of currency forward contracts outstanding to Group companies in a nominal amount of SEK 758 M (492), of which SEK 0 M (0) are outstanding to Parent company and the nominal amount of net purchases of currency forward contracts outstanding to external parties was SEK 758 M (492).

For elimination of the Group companies exchange rate risk during the tender period, NCC Treasury had an outstanding call option sold to Group companies of nominal SEK 95 M and outstanding call option bought to other external parties of nominal SEK 95 M at year end.

Currency swaps are used to achieve that assets and liabilities match in the same currency. Net purchased currency swap agreements for financing amounted to a nominal SEK 569 M (-641).

NCC Treasury AB does not take any exchange rate risks but is subject to an exchange rate risk limit whereby the company's earnings are not permitted to be negatively impacted by more than SEK -10 M in the event of a 5-percent exchange rate change, defined as the sum of the exchange rate risk per currency in absolute terms.

At December 31st, a 5-percent change in exchange rates would have resulted in a negative impact on NCC Treasury AB's profit after tax as well as equity of SEK -1.2 M (-1.7).

Credit risks/counterparty risks

NCC's investment regulations for financial credit risks are revised continuously and characterized by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A- (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which NCC has operations. The framework agreement on netting issued by the ISDA (International Swaps and Derivatives Association) is used with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposure and maturity for various external counterparties.

Total counterparty exposure with respect to derivatives, calculated as the net receivable per counterparty, amounted to SEK 41 M (126) at the end of 2020. The net receivable per counterparty is calculated in accordance with the market-to-market approach, i.e the market value of the derivative plus a supplement for the change in risk (1% on the nominal amount). Calculated gross exposure to counterparty risks pertaining to external cash and bank balances and short-term investments amounted to SEK 1,922 M (2,169).

The credit risk of NCC Treasury AB's counterparties is assessed to be low, as all lending is intra-group, in a Group with a financially strong parent company with joint governance and control. If the ability of a subsidiary to pay would deteriorate, this is normally handled through capital contribution from the parent company.

NCC Treasury AB has no past-due receivables from Group companies. The company has not set aside any reserves for doubtful receivables since no receivables are assessed as being doubtful.

Price risks

The price risk associated with purchasing bitumen is managed by NCC Treasury AB via oil forward contracts. NCC Industry's policy is to hedge larger customer contracts when the work is to be performed later than two months from the ordering date. NCC Treasury AB ensures that oil derivatives are priced using the same underlying index as that which applies to suppliers and that the number of purchased tons of bitumen per month exceeds the number of hedged tons of bitumen per month.

NOTE 16 NON-CASH CHANGES IN FINANCING ACTIVITIES

SEK M	CB 2019	Cash flow	NON-CASH ITEMS Exchange rate differences	CB 2020
Interest-bearing liabilities	13,710,435	-957,067	-198	12,753,170
Interest-bearing receivables	-11,628,507	463,874	124,232	-11,040,401
Total liabilities, financing activities	2,081,928	-493,193	124,034	1,712,769
Group contribution		-24,002		
Dividend		-120,000		
Cash flow from financing activities		-637,195		

NOTE 17 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments is presented in the following table. In NCC Treasury AB's balance sheet, it is mainly short-term investments and derivatives that are measured at fair value. Short-term investments are measured according to prices quoted on a well-functioning secondary market for the same instrument.

The measurement to fair value on currency forward contracts, currency options and oil forward contracts is based on customary models with observable input data such as interest rates, exchange rates and commodity prices. The measurement to fair value of interest rate swaps is based on forward interest rates based on observable yield curves. The discount has no significant impact on the measurement of derivatives.

For financial instruments recognized at amortized cost - long-term and current interest-bearing assets and liabilities to Group companies, cash and bank balances, bank deposits and other interest-free assets and liabilities - the fair value does not materially deviate from the carrying amount.

For bond loans listed on Nasdaq Stockholm, the fair value was calculated according to prices listed in a well-functioning secondary market. It has been deemed that the fair value of other external long-term and short-term interest-bearing liabilities did not materially deviate from the carrying amount.

The carrying amount and fair value of financial instruments are presented in the following table.

SEK thousands	Dec 31, 2020		Dec 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets statutorily measured at fair value through profit or loss				
External interest rate swaps ¹⁾	2	2	1,331	1,331
External currency forward contracts and currency options ¹⁾	15,903	15,903	59,257	59,257
External oil forward contracts ¹⁾	2,204	2,204	1,739	1,739
Group currency forward contracts ²⁾	24,282	24,282	12,885	12,885
Group oil forward contracts ²⁾	7,745	7,745	1,317	1,317
Short-term investments	103,842	103,842	10,209	10,209
Derivatives used in hedge accounting				
External interest rate swaps ¹⁾	749	749	5,861	5,861
Financial assets measured at amortized cost				
Long-term receivables from Group companies	-	-	132,462	132,462
Current receivables from Group companies	10,990,196	10,990,196	11,546,332	11,546,332
Prepaid expenses and accrued income	285	285	28	28
Cash and cash balances	1,821,938	1,821,938	2,158,607	2,158,607
Total financial assets	12,967,146	12,967,146	13,930,028	13,930,028
Financial liabilities statutorily measured at fair value through profit or loss				
External currency forward contracts ³⁾	63,554	63,554	73,157	73,157
External oil forward contracts ³⁾	7,745	7,745	788	788
Group currency forward contracts and currency options ⁴⁾	5,762	5,762	3,897	3,897
Group oil forward contracts ⁴⁾	2,204	2,204	1,795	1,795
Other financial liabilities				
Long-term listed green bond loans	1,600,000	1,582,209	1,600,000	1,599,953
Long-term unlisted green bond loans	100,000	97,480	100,000	100,779
Long-term liabilities to Group companies	-	-	14,819	14,819
Current liabilities to Group companies	11,053,175	11,053,175	11,995,912	11,995,912
Accrued expenses and deferred income	220	220	335	335
Total financial liabilities	12,832,660	12,812,349	13,790,703	13,791,435

¹⁾ The carrying amount for external currency forward contracts, currency options, interest rate swaps and oil forward contracts is included in long-term receivables amounting to SEK 1 M (8) and in other current receivables SEK 18 M (60).

²⁾ The carrying amount for Group currency forward contracts and oil forward contracts is included in long-term receivables from Group companies amounting to SEK 3 M (1) and in current receivables from Group companies amounting to SEK 29 M (13).

³⁾ The carrying amount for external interest-rate swaps, currency forward contracts and oil forward contracts is included in long-term other liabilities amounting to SEK 3 M (1) and in current other liabilities amounting to SEK 68 M (73).

⁴⁾ The carrying amount for Group currency forward contracts, currency options and oil forward contracts is included in long-term liabilities to Group companies amounting to SEK 1 M (1) and in current liabilities to Group companies amounting to SEK 7 M (5).

In the following table, disclosures are made concerning how fair value was determined for financial instruments. When determining fair value, assets were divided into the following three levels. No transfers were made between the levels during the period and no significant changes were made with respect to measurement methods, data or assumptions used.

Level 1: in accordance with prices quoted on an active market for the same instrument.

Level 2: on the basis of directly or indirectly observable market data that is not included in Level 1.

Level 3: on the basis of input data that is not observable in the market (which is not applicable for NCC Treasury AB).

SEK thousands	Dec 31, 2020			Dec 31, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Derivative instruments *		50,885	50,885		82,390	82,390
Short-term investments	103,842		103,842	10,209		10,209
Total financial assets	103,842	50,885	154,727	10,209	82,390	92,599
Derivative instruments *		79,265	79,265		79,637	79,637
Listed bond loans	1,582,209		1,582,209	1,599,953		1,599,953
Unlisted bond loans and commercial paper		97,480	97,480		100,779	100,779
Total financial liabilities	1,582,209	176,745	1,758,954	1,599,953	180,416	1,780,369

* Total of Group and external derivative instruments.

Offsetting financial instruments

NCC has binding framework agreements on netting (ISDA agreements) with all external counterparties for derivative trading, whereby NCC can offset receivables and liabilities should a counterparty become insolvent or in another event. The following table sets out the gross financial assets and liabilities recognized and the amounts available for offsetting.

SEK thousands	Dec 31, 2020		Dec 31, 2019	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	18,858	71,299	68,188	73,945
Amounts included in the netting agreement	-18,703	-18,703	-45,798	-45,798
Net amount after netting agreement	155	52,596	22,390	28,147

NOTE 18 SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

There is still uncertainty regarding the effects that the coronavirus pandemic will have on the global and Nordic economies and thus on the long-term market conditions for NCC Treasury AB.

NOTE 19 PROPOSED DISTRIBUTION OF EARNINGS

Funds available for distribution by the Annual General Meeting:

Earnings brought forward	-9,803,623
Net profit of the year	134,172,779
Amount in SEK	<u>124,369,156</u>

The Board of Directors and the President proposes that the funds should be distributed as follows:

To be distributed to shareholders	122,000,000
To be carried forward	2,369,156
Amount in SEK	<u>124,369,156</u>

The company has transferred Group contribution to NCC AB at the amount of SEK 14,748,907.

Group contribution has, subject to approval of the Annual General Meeting, been transferred at the amount of SEK 14,748,907 which cause the non-restricted equity on balance sheet date, after taking tax effects into account, to reduce by SEK 11,592,641. The proposed change in value in the form of Group contribution reduces the equity/assets ratio to 1.1 percent before proposed dividend. According to The Board of Directors and the President the proposal is justifiable with regards to the company's need for shareholders' equity and deemed to satisfy the company's future capital requirements for future developments of the business operations. The liquidity in the company is expected to be maintained at a similarly satisfactory level. The transferred Group contribution can therefore be justified taking into account as outlined in Swedish Companies Act chapter 17 § 3 part 2-3. The company's external financial commitment is secured by parent company guarantees.

Signatures

The Board of Directors and the President hereby give their assurance that the Annual Report has been compiled in compliance with the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated July 19, 2002 regarding the application of international accounting standards and with generally acceptable accounting practices and thus provide a fair and accurate impression of the financial position and earnings of the company. The Report of the Board of Directors accurately review the company's operations, financial position and earnings and describe the significant risks and uncertainties facing the company.

The Annual Report was approved for issue by the Board of Directors on March 25, 2021. The income statement and balance sheet will be presented to the Annual General Meeting for adoption on April 1, 2021.

Solna, March 25, 2021

Charlotte Z Lindstedt
Chairman of the Board

Ann-Marie Hedbeck
Member of the Board

Susanne Lithander
Member of the Board

Anneli Bedman
President

Our audit report was submitted on March 29, 2021

PricewaterhouseCooper AB

Anders Carlsson
Authorized Public Accountant