



The Board of Directors and the Managing Director of

NCC Treasury AB (publ)

corporate registration number 556030-7091

hereby submit the

Annual Report

for the fiscal year January 1 - December 31, 2021

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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 of financial risk management. 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 2021 financial year, NCC Treasury AB (publ) generated a profit after financial items of SEK 127.4 M (137.3).

NCC has managed the coronavirus pandemic well during the year with no material impact on NCC as a Group, nor on NCC Treasury AB.

The operations in the company is scheduled to continue during 2022 according to current guidelines and policies (see Corporate governance below).

Multi-year review

	2021	2020	2019	2018	2017
Balance sheet in SEK thousands	Dec 31				
Total assets	14,382,295	12,973,620	13,934,962	12,083,986	11,089,622
Total shareholders' equity	140,304	140,520	141,949	21,264	14,594
Total liabilities	14,241,991	12,833,100	13,793,013	12,062,722	11,075,028
Total shareholders' equity and liabilities	14,382,295	12,973,620	13,934,962	12,083,986	11,089,622
Equity/assets ratio, %	1.0	1.1	1.0	0.2	0.1

	2021	2020	2019	2018	2017
Income statement in SEK thousands	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Net sales	-	-	-	-	-
Operating profit	-22,988	-21,093	-19,981	-15,811	-16,154
Profit after financial items	127,434	137,329	139,859	111,286	82,709
Net profit for the year	125,893	134,173	134,722	86,803	64,510

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 Managing Director. According to this instruction, the Managing Director 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

On December 30, 2021, a new three-year credit facility of EUR 280 M (260) was signed, with two one-year extension options.

Proposed distribution of earnings

Funds available for distribution by the Annual General Meeting:

Earnings brought forward	-3,546,245
Net profit of the year	<u>125,893,003</u>
Amount in SEK	<u>122,346,758</u>

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

To be distributed to shareholders	120,000,000
To be carried forward	<u>2,346,758</u>
Amount in SEK	<u>122,346,758</u>

The company has transferred Group contribution to NCC AB at the amount of SEK 7,449,959.

Group contribution has, subject to approval of the Annual General Meeting, been transferred at the amount of SEK 7,449,595 which cause the non-restricted equity on balance sheet date, after taking tax effects into account, to reduce by SEK 5,915,267. The proposed change in value in the form of Group contribution reduces the equity/assets ratio to 1.0 percent before proposed dividend. According to The Board of Directors and the Managing Director 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	2021	2020
Selling and administrative expenses	1	-22,988	-21,093
<i>Result from financial items</i>			
Result from financial fixed assets	2, 3	364	-
Result from financial current assets	2, 4	224,153	233,733
Interest expense and similar items	5	-74,094	-75,311
Profit/loss after financial items		127,434	137,329
Tax on net profit for the year	6	-1,541	-3,156
Net profit for the year		125,893	134,173

Statement of comprehensive income

SEK thousands	Note	2021	2020
Net profit for the year		125,893	134,173
Fair value changes for the year in cash flow hedges		2,275	-5,109
Tax attributable to cash flow hedges		-469	1,099
Other comprehensive income		1,807	-4,010
Total comprehensive income during the year		127,700	130,163

Balance Sheet

SEK thousands	Note	2021 Dec 31	2020 Dec 31
ASSETS			
<i>Fixed assets</i>			
Receivables from Group companies	7, 8	379,644	3,151
Long-term receivables		4,931	1,265
Total fixed assets		384,575	4,415
<i>Current assets</i>			
<i>Current receivables</i>			
Receivables from Group companies	8	11,411,640	11,019,072
Other current receivables		23,560	18,414
Prepaid expenses and accrued income		1,288	5,938
<i>Current receivables</i>		11,436,488	11,043,424
<i>Short-term investments</i>	9	400,961	103,842
<i>Cash and bank balances</i>		2,160,271	1,821,938
Total current assets		13,997,720	12,969,204
TOTAL ASSETS		14,382,295	12,973,620
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
<i>Restricted shareholders' equity</i>			
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		2,407	601
<i>Restricted shareholders' equity</i>		17,957	16,151
<i>Unrestricted shareholders' equity</i>			
Earnings brought forward		-3,546	-9,804
Net profit for the year		125,893	134,173
<i>Unrestricted shareholders' equity</i>		122,347	124,369
Total shareholders' equity		140,304	140,520
<i>Long-term liabilities</i>			
Bond loans	12, 13 10	850,000	1,700,000
Liabilities to Group companies	8	1,994	518
Other liabilities		34	3,151
Total long-term liabilities		852,029	1,703,669
<i>Current liabilities</i>			
Bond loans	11, 13 10	850,000	-
Liabilities to Group companies	8	12,494,996	11,060,623
Other liabilities		44,729	68,304
Accrued expenses and deferred income	14	238	504
Total current liabilities		13,389,963	11,129,431
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		14,382,295	12,973,620

Changes in shareholders' equity

SEK thousands	<i>Restricted shareholders' equity</i>				<i>Unrestricted shareholders' equity</i>	
	Share capital	Revaluation reserve	Statutory reserve	Hedging reserve	Earnings brought forward and profit for the year	Total shareholders' equity
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	140,519
Opening balance Jan 1, 2021	12,000	1,150	2,400	601	124,369	140,519
Net profit for the year					125,893	125,893
Other comprehensive income				1,807	-	1,807
Total comprehensive income				1,807	125,893	127,700
Dividend					-122,000	-120,000
Group contribution					-7,450	-7,450
Tax on Group contribution					1,535	1,535
Total transactions with shareholders					-127,915	-127,915
Closing balance Dec 31, 2021	12,000	1,150	2,400	2,407	122,347	140,304

Cash flow statement

SEK thousands	Note	2021	2020
Operating activities			
Profit after financial items		127,434	137,329
Adjustments for items not included in cash-flow*)		26,447	-6,333
Cash flow from operating activities before changes in working capital		153,882	130,996
Cash flow from changes in working capital			
<i>Cash flow from changes in working capital</i>			
Increase(-)/Decrease(+) in receivables		39,187	36,567
Increase(+)/Decrease(-) in liabilities		-19,120	-2,648
Cash flow from the operating activities		173,949	164,915
Financing activities			
Raised external loans		-	-
Amortization of external loan liabilities		-	-
Increase (+)/Decrease (-) of interest-bearing liabilities to Group companies		1,428,011	-957,067
Dividend		-122,000	-120,000
Group contribution		-14,749	-24,002
Increase (-)/Decrease (+) of external interest-bearing receivables		-297,119	-93,634
Increase (-)/Decrease (+) of interest-bearing receivables from Group companies		-727,343	557,508
Cash flow from financing activities	16	266,800	-637,195
Cash flow for the year		440,749	-472,280
Cash and cash equivalents on January 1		1,821,938	2,158,607
Exchange-rate differences in cash and cash equivalents		-102,415	135,611
Cash and cash equivalents on December 31		2,160,271	1,821,938

*) consists primarily of unrealized exchange rate differences

Addendum to cash flow statement

SEK thousands	2021	2020
Paid and received interest**		
Received interest	217,413	228,211
Paid interest	-52,480	-73,519
** included in cash flow from the operating activities before changes in working capital		
Cash and cash equivalents		
<i>The following components are included in cash and cash equivalents</i>		
Cash and bank balances	2,160,271	1,821,938
	2,160,271	1,821,938

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 2021

A small number of changes to existing standards and interpretations came into effect for fiscal years commencing after January 1, 2021. For 2021, NCC Treasury is applying the amendments to IFRS 9 Financial instruments in respect of the relief rules regarding the reference rate reform. These relief rules apply to prospective criteria for hedge accounting so that they are not impacted misleadingly by any future change in reference rates. 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, 2022. 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. 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. NCC has managed the coronavirus pandemic well during the year with no material impact on a Group level or on NCC Treasury AB.

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 Managing Director.

Audit assignments to PricewaterhouseCoopers AB amounted to SEK 356 thousands (305) 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.

Geographical distribution of interest income (note 3, 4)	2021	2020
Sweden	110,907	109,127
Norway	59,529	83,982
Denmark	9,454	15,367
Finland	21,416	13,045
Baltics and Poland	90	87
	201,395	221,608

Note 3

Result from financial fixed assets¹⁾

	2021	2020
Interest income, other Group companies	364	-
	364	

Note 4

Result from financial current assets¹⁾

	2021	2020
Interest income, Parent company	616	8,813
Interest income, other Group companies	200,159	209,864
Interest income, external	257	2,930
Net profit on financial assets/liabilities held for trading purposes, Group companies	1,011	12,126
Net profit on financial assets/liabilities held for trading purposes, external	22,110	-
	224,153	233,733

Note 5

Interest expense and similar items¹⁾

	2021	2020
Interest expense, Parent company	-76	-81
Interest expense, other Group companies	-2,099	-8,026
Interest expense, external	-38,113	-42,643
Net loss on financial assets/liabilities held for trading purposes, Group companies	-22,085	-
Net loss on financial assets/liabilities held for trading purposes, external	-1,011	-13,464
Net exchange rate differences *	152	-667
Credit fees	-10,862	-10,430
	-74,094	-75,311
* of which		
Exchange rate differences on fixed assets, other Group companies	28	-
Exchange rate differences on financial current assets, Parent company	-	-
Exchange rate differences on financial current assets, other Group companies	229,533	-399,512
Exchange rate differences on financial current assets, external	-102,415	135,581
Exchange rate differences on financial liabilities, Parent company	2,045	389
Exchange rate differences on financial liabilities, other Group companies	-6,743	26,127
Exchange rate differences on financial liabilities, external	-122,296	236,748
Net exchange rate difference	152	-667

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

Note 6

Tax on net profit for the year

	2021	2020
Current tax assignable to income tax	-7	-
Current tax assignable to Group contribution	-1,535	-3,156
	-1,541	-3,156

Note 7

Long-term receivables from Group companies

	2021 Dec 31	2020 Dec 31
<i>Accumulated acquisition value</i>		
Carrying amount on January 1	3,151	133,166
Reclassified to current receivables	-3,151	-132,463
Receivables added	379,617	2,447
Foreign exchange-rate differences during the year	28	-
Carrying amount at year-end	379,644	3,151

Note 8

Receivables and liabilities on Group companies

	2021 Dec 31	2020 Dec 31
Long-term receivables from Parent company	-	-
Long-term receivables from other Group companies	379,644	3,151
<i>Long-term receivables from Group companies</i>	379,644	3,151
Current receivables from Parent company	-	202,983
Current receivables from other Group companies	11,411,640	10,816,089
<i>Current receivables from Group companies</i>	11,411,640	11,019,072
Long-term liabilities to Parent company	-	-
Long-term liabilities to other Group companies	1,994	518
<i>Long-term liabilities to Group companies</i>	1,994	518
Current liabilities to Parent company	728,432	274,212
Current liabilities to other Group companies	11,766,564	10,786,411
<i>Current liabilities to Group companies</i>	12,494,996	11,060,623

Note 9

Short-term investments

	2021 Dec 31	2020 Dec 31
<i>Carrying amount</i>		
Interest-bearing securities	400,961	103,842
	400,961	103,842
<i>Market value</i>		
Interest-bearing securities	400,961	103,842
	400,961	103,842

Note 10

Bond loans

	2021 Dec 31	2020 Dec 31
<i>Long-term</i>		
Bond loans, unlisted	100,000	100,000
Bond loans, listed on NASDAQ Stockholm	750,000	1,600,000
	850,000	1,700,000
<i>Current</i>		
Bond loans, listed on NASDAQ Stockholm	850,000	-
	850,000	-
Total bond loans	1,700,000	1,700,000

The bond loans have remaining maturities ranging from 9 to 33 months with an average tied-up capital of 21 months (33) and with an average closing interest rate of 0.86 % (0.85).

Note 11

Liabilities to credit institutions

	2021	2020
	Dec 31	Dec 31
<i>Committed credit line</i>		
Granted credit line	252,653	250,417
Unutilized part	-252,653	-250,417
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 (1.0) to 2.8 (3.8) years (see Analysis of maturities in note 15).

Note 13

Pledged assets and contingent liabilities

	2021	2020
	Dec 31	Dec 31
Assets pledged	9,670	8,307
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

	2021	2020
	Dec 31	Dec 31
Accrued financial expenses	238	504
Total	238	504

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. On December 30, 2021, a new three-year credit facility of EUR 280 M (260) was signed, with two one-year extension options. 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 14,181 M (12,753), of which external SEK 1,700 M (1,700), Parent company SEK 728 M (274) and other Group companies SEK 11,753 M (10,779). NCC Treasury AB's capital maturity period in terms of total interest-bearing liabilities was 3 months (4), of which external 21 months (33), Parent company 0.1 month (0.2) and other Group companies 0.03 month (0.04).

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 3,127 M (2,861), with an average remaining maturity of 2.8 years (1.9). 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 2021 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, 2021 in SEK M	Total	<3 months	3 months- 1 year	1-3 years	>3 years
External interest-bearing liabilities	1,729	4	860	865	
Parent company interest-bearing liabilities	728	728			
Other Group interest-bearing liabilities	11,753	11,753			
External oil forward contracts	2	0	2	0	
Other Group oil forward contracts	6	2	4	0	
External interest rate swaps	1	0.1	0.1	0.3	
Total	14,218	12,487	865	866	

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	0	
External interest rate swaps	-	0	0	0	
Total	12,808	11,054	23	975	756

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

Dec 31, 2021, in SEK M	Total	<3 months	3 months- 1 year	1-3 years	>3 years
External currency forward contracts					
- outflow	-4,781	-3,505	-1,166	-110	
- inflow	4,754	3,478	1,164	112	
Parent company currency forward contracts					
- outflow	0				
- inflow	0				
Other Group currency forward contracts					
- outflow	-1,523	-414	-996	-112	
- inflow	1,514	412	992	110	
Net flow from gross settled instruments	-35	-29	-6	0	

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	

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 9 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 (hedge quote 1-for-1). 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 2021. 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 3 M (1) net, comprising long-term receivables of SEK 3 M (1). The interest rate swaps have due dates ranging from 0.5 (1.5) to 2.8 (3.8) 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 1 M (2) in net profit for the year and a change of SEK 6 M (9) 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 14,181 M (12,753), of which external SEK 1,700 M (1,700), Parent company SEK 728 M (274) and other Group companies SEK 11,753 M (10,779). The fixed interest maturity period for gross debt was 0.4 month (0.4), of which external 3 months (3), Parent company 0.1 month (0.2) and other Group companies 0.03 month (0.04).

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 -33 M (-20), 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 877 M (758), 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 877 M (758).

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 2 012 M (569).

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 -0.9 M (-1.2).

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 regulation specifies 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 61 M (41) at the end of 2021. 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 2,561 M (1,922).

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 as the uncertainty in the receivables has been assessed as very low.

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 2020	Cash flow	NON-CASH ITEMS	
			Exchange rate differences	CB 2021
Interest-bearing liabilities	12,753,170	1,428,011	0	14,181,181
Interest-bearing receivables	-11,040,401	-1,024,462	-85,067	-12,149,930
Total liabilities, financing activities	1,712,769	403,549	-85,067	2,031,251
Group contribution		-14,749		
Dividend		-122,000		
Cash flow from financing activities		266,800		

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, 2021		Dec 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets statutorily measured at fair value through profit or loss				
External interest rate swaps ¹⁾	24	24	2	2
External currency forward contracts and currency options ¹⁾	19,144	19,144	15,903	15,903
External oil forward contracts ¹⁾	5,506	5,506	2,204	2,204
Group currency forward contracts ²⁾	2,592	2,592	24,282	24,282
Group oil forward contracts ²⁾	1,962	1,962	7,745	7,745
Short-term investments	400,961	400,961	103,842	103,842
Derivatives used in hedge accounting				
External interest rate swaps ¹⁾	3,024	3,024	749	749
Financial assets measured at amortized cost				
Long-term receivables from Group companies	379,610	379,610	-	-
Current receivables from Group companies	11,407,121	11,407,121	10,990,196	10,990,196
Prepaid expenses and accrued income	1	1	285	285
Cash and cash balances	2,160,271	2,160,271	1,821,938	1,821,938
Total financial assets	14,380,216	14,380,216	12,967,146	12,967,146
Financial liabilities statutorily measured at fair value through profit or loss				
External currency forward contracts ³⁾	42,170	42,170	63,554	63,554
External oil forward contracts ³⁾	1,901	1,901	7,745	7,745
Group currency forward contracts and currency options ⁴⁾	10,303	10,303	5,762	5,762
Group oil forward contracts ⁴⁾	5,506	5,506	2,204	2,204
Other financial liabilities				
Long-term listed green bond loans	750,000	750,173	1,600,000	1,582,209
Long-term unlisted green bond loans	100,000	99,994	100,000	97,480
Current listed bond loans	850,000	849,533	-	-
Current liabilities to Group companies	12,481,181	12,481,181	11,053,175	11,053,175
Accrued expenses and deferred income	222	222	220	220
Total financial liabilities	14,241,283	14,240,983	12,832,660	12,812,349

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 5 M (1) and in other current receivables SEK 23 M (18).

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 0 M (3) and in current receivables from Group companies amounting to SEK 5 M (29).

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 0 M (3) and in current other liabilities amounting to SEK 44 M (68).

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 2 M (1) and in current liabilities to Group companies amounting to SEK 14 M (7).

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, 2021			Dec 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Derivative instruments *		32,252	32,252		50,885	50,885
Short-term investments	400,961		400,961	103,842		103,842
Total financial assets	400,961	32,252	433,213	103,842	50,885	154,727
Derivative instruments *		59,880	59,880		79,265	79,265
Listed bond loans	1,599,706		1,599,706	1,582,209		1,582,209
Unlisted bond loans and commercial paper		99,994	99,994		97,480	97,480
Total financial liabilities	1,599,706	159,874	1,759,580	1,582,209	176,745	1,758,954

* 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, 2021		Dec 31, 2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	27,698	44,132	18,858	71,299
Amounts included in the netting agreement	-24,437	-24,437	-18,703	-18,703
Net amount after netting agreement	3,261	19,695	155	52,596

Note 18

Events after the balance-sheet date

During the first months of 2022, there was extensive spread of infection and restrictions were imposed in all markets as a result of the coronavirus pandemic. This resulted in increased absence at NCC and among subcontractors, as well as some temporary production disruptions and delays. However, in general, the disruptions were small and most of the operations made good progress.

The war in Ukraine, which broke out at the end of February, entails risks in terms of the impact on the global economy, price increases for input materials and energy, and disruptions to supply chains. NCC has no operations in the countries affected. However, NCC could be affected, primarily by price movements and access to oil and oil-based products, and by higher energy prices. To a lesser extent, access to labor could also be temporarily affected. In the long term, NCC is impacted by the global economic development.

Note 19 Proposed distribution of earnings

Funds available for distribution by the Annual General Meeting:

Earnings brought forward	-3,546,245
Net profit of the year	<u>125,893,003</u>
Amount in SEK	<u>122,346,758</u>

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

To be distributed to shareholders	120,000,000
To be carried forward	<u>2,346,758</u>
Amount in SEK	<u>122,346,758</u>

The company has transferred Group contribution to NCC AB at the amount of SEK 7,449,959.

Group contribution has, subject to approval of the Annual General Meeting, been transferred at the amount of SEK 7,449,959 which cause the non-restricted equity on balance sheet date, after taking tax effects into account, to reduce by SEK 5,915,267. The proposed change in value in the form of Group contribution reduces the equity/assets ratio to 1.0 percent before proposed dividend. According to The Board of Directors and the Managing Director 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.

Adoption

The Board of Directors and the Managing Director hereby give their assurance that the Annual Report has been compiled in compliance with the international accounting standards, IFRS, as adopted by the EU, 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 material risks and uncertainties facing the company.

The Annual Report was approved for issue by the Board of Directors on March 17, 2022. The income statement and balance sheet will be presented to the Annual General Meeting for adoption on March 31, 2022.

Solna, March 17, 2022

Charlotte Z Lindstedt
Chairman of the Board

Ann-Marie Hedbeck
Member of the Board

Susanne Lithander
Member of the Board

Anneli Bedman
Managing Director

Our audit report was submitted on March 17, 2022

PricewaterhouseCooper AB

Anders Carlsson
Authorized Public Accountant