

# Interim Financial Report

Period July 1, 2008 – March 31, 2009

Cinnober Financial Technology AB  
Org no 556548-9654

- ▶ High increase in sales to 237.8 MSEK (155.3 MSEK)
- ▶ Very high increase in net profit to 50.1 MSEK (8.9 MSEK)
- ▶ Hong Kong Mercantile Exchange and Burgundy chose Cinnober as their technology partner
- ▶ Turquoise's system as well as Alpha's system were successfully put into production
- ▶ Acceptance has been received for the system delivery to Quadriserv
- ▶ Broadened offering through the launch of Scila Surveillance — system for market surveillance

A white line drawing of a city skyline with various buildings of different heights and shapes. A large building on the left has a sign that says "Change". There are also clouds in the sky.

Change



# Summary and key figures

Key figures, Consolidated	03-31-09	03-31-08
Sales (MSEK)	237.8	155.3
Operating profit (MSEK)	50.1	8.9
Profit before tax (MSEK)	43.3	9.9
Net profit (MSEK)	30.4	6.8
Operating margin	21.1%	5.7%
Net margin	12.8%	4.4%
Equity (MSEK)	127.1	88.1
Equity ratio	62.8%	60.0%
Quick ratio	264.2%	237.8%

## Introduction

This financial report covers the first 9 months of the financial year 2008/2009 for the Cinnober Group and the Parent Company.

## Customers and the market

Cinnober's strong and expansive development has continued during the period. This has been possible by attracting new customers to choose Cinnober's TRADExpress Trading System. We continue to strongly believe that this financial year will be a new record breaking period when it comes to sales and profit.

During the fall, Cinnober has, in the face of fierce competition, been chosen as the technology supplier for both Hong Kong Mercantile Exchange and Burgundy. We are proud and delighted to add these new customers to our growing list of customer references.

Hong Kong Mercantile Exchange will handle trading in commodity derivatives, for delivery to China. This deal is the first in Asia for Cinnober and we consider it as a milestone in our geographical expansion. The ambition is to use this deal as a platform to establish Cinnober as a player in the Asia-Pacific region.

Burgundy, a Multilateral Trading Facility (MTF) for the Nordic market, will offer trading in Nordic shares in direct competition with existing Nordic stock exchanges. Cinnober will deliver a turnkey solution to Burgundy, which also includes total responsibility for the operation of the system.

A clear trend in the market is that an increased number of customers are requesting hosting and operations services. These customers are looking for a supplier that is capable of taking the total responsibility for a trading system. During the past years, Cinnober has built up capacity and competence to enable such services, an investment from which we now can reap the benefits.

In cooperation with Scila AB and as a step to broaden Cinnober's product portfolio, a newly developed system for market surveillance was launched in February. The system, named Scila Surveillance, is a turnkey solution for exchanges, banks and regulatory bodies seeking to apply modern technology to detect market abuse such as illegal insider trading and manipulation of share prices. Cinnober has invested in a minority stake in the newly

founded company Scila AB (23.1%), and the two companies have signed an exclusive sales agreement. Deliveries are presently being made to the first customers, the above mentioned Burgundy and Hong Kong Mercantile Exchange.

The turbulence in the financial markets, which have dominated this financial year, has had an increasing impact on the real economy with a swift and strong downturn in the global economies as a consequence. However, we continue to experience a strong interest in the Cinnober solutions. This strong interest can be accredited, among other things, the fact that Cinnober's solutions help customers to streamline their operations and increase their competitiveness, which is just as interesting in a recession. Cinnober is involved in a number of negotiations; however, we can notice significant uncertainty in how the market develops and the customers' decision processes have been prolonged.

The financial turbulence will, according to our opinion, create new business opportunities for Cinnober, but those opportunities will probably come up in the next financial year. Financial supervisory authorities are likely to raise the demands on the financial actors' capability to judge risks, such as counterparty risk in real time. We have a number of ideas within the areas of risk management and clearing where we have initiated a process to search patents and commercialize these ideas.

## Successful deliveries

During the present financial year, Cinnober has had intense delivery periods that have, among other things, included final deliveries of two complete trading systems, the delivery of a new type of market place for securities lending, and major upgrades for different customers.

During this period, Cinnober has successfully put a trading system into operations for Turquoise - a pan-European MTF that competes with the European stock exchanges and offers trading in over 1300 stocks. Cinnober provided Turquoise with a turnkey solution where we have the overall responsibility for operations of the system for the stock exchange.

The system for Alpha, a so-called Alternative Trading System (ATS) for the Canadian stock market, has also successfully been put into production during the period.

In the first part of 2009, Quadriserv accepted the delivery of their trading system, adapted for an effective and transparent trading within securities lending. A pilot launch has been carried through and the system is planned to go fully operational during the second quarter in 2009.

A major upgrade of London Metal Exchange's trading system, based on Cinnober's platform TRADExpress, was implemented according to plan during November. The trading at London Metal Exchange has during last year reached record volumes and the upgrade includes increased capacity as well as improved functionality.

At the end of December, NYSE Liffe launched, as the first exchange in the world, the capability for exchange handled and clearing of trading with so called Credit Default Swaps (CDS). Through this expansion of Bclear, a system completely delivered by Cinnober, NYSE Liffe now offers an effective platform to reduce operational and counterparty risks at the same time as the flexibility that characterize regular OTC-trading can be maintained.

During the first part of 2009, we have made successful deliveries to our new customers. Acceptance regarding the delivery to Burgundy was received on April 20 and the system will be put into production, according to plan, on May 8. The delivery to HKMEx is on schedule and acceptance testing was commenced during April.

## Investments

Cinnober is continuously investing and developing the product family TRADExpress.

## Financial information

The consolidated sales amounted to 237.8 MSEK (155.3 MSEK) an increase with 53% and the profit before tax was 43.3 MSEK (9.9 MSEK), corresponding to an increase with 337%. The consolidated cash flow during the period was 21.1 MSEK (-1.0 MSEK). We have great expectations for a continued positive development in this financial year, compared to the previous financial year. 37.8 MSEK of the Accounts Receivables which were recorded at the period end has been paid after the balance sheet date. None of the remaining accounts receivables is considered to be doubtful.

Cinnober continuously hedge the majority of its foreign exchange exposure, up to 12 months. Accounts Receivables and other receivables in foreign exchange are recorded to an agreed forward rate. At the end of the accounting period an unrealized loss for exchange rates amounted to 8.8 MSEK (0 MSEK) for the portfolio of foreign exchange forward agreements. This is primarily due to the exchange rate of EUR/SEK exceeds the average rate of the forward agreements at the period end. The unrealized loss is recorded as a contingent liability.

The company has re-classified the share premium reserve in accordance with Årsredovisningslagen (the Annual Accounts Act) and FAR SRS recommendation Red R 1. Allocations to the share premium reserve which have been made after January 1, 2006 have been classified as non-restricted equity. Allocations before January 1, 2006 have been transferred to the statutory reserve. This re-classification was made in the annual accounts as of June 30, 2008, and explains the difference in restricted equity as of March 31, 2009 compared to the comparative year.

## Capital stock

The capital stock consists of 570 000 series A shares and 1 570 940 series B shares. The total number of shares is 2 140 940. At the last trading occasion at the Alternativa Aktiemarknaden,

Cinnober's B share was valued to 225 SEK, an increase by 55 SEK. The turnover was 250 shares.

In 2006, the company issued 100 000 share warrants, which were directed to the employees, and which each entitled the subscriber to a subscription of one series B share in the company. These warrants will expire on October 30, 2009 and can at the maximum result in a dilution of 4.46%.

On October 22, 2008, it was resolved by the Board of Directors, in accordance with the authorization granted by the Annual General Meeting on October 16, 2008, to issue a maximum of 321 136 warrants, which each entitles to the subscription of a new series B share in the company. Subscription of 321 136 warrants have been made, corresponding to a dilution of 12.53%, which has been registered with the Swedish Companies Registration Office on February 5, 2009. The subscribers are Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley, UBS, BNP Paribas and Société Générale.

In December, 2008, the company received warrant premiums amounting to SEK 4 817 040 from the subscribers. In the interim accounts as of December 31, 2008 these were recorded as financial income. After consulting with the company's auditors, the warrant premiums have been reclassified as non-restricted equity, share-premium reserve, in the balance sheet as of March 31, 2009.

## Board of directors

At the Annual General Meeting on October 16, 2008, the current board members Nils-Robert Persson, Helena Westin, and Stefan Widenfelt were re-elected. Former alternate board member Peter Lenti was elected as a member of the board.

At the Board Meeting that followed the election, Nils-Robert Persson was appointed Chairman of the Board, a position he previously held during the period 2000–2006.

Stockholm April 29, 2009

Jan Arpi  
CEO

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The figures in this report have not been audited.

This interim report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.



# Consolidated income statement

Amounts in thousands of SEK	07-01-2008	07-01-2007
	03-31-2009	03-31-2008
<b>Operating income</b>		
Net sales	237 433	155 087
Other operating income	350	231
	<b>237 783</b>	<b>155 318</b>
<b>Operating expenses</b>		
Other external expenses	-82 605	-70 500
Personnel expenses	-99 485	-69 053
<b>Operating profit before depreciation</b>	<b>55 694</b>	<b>15 765</b>
Depreciation/amortization of equipment and intangible assets	-5 559	-6 826
<b>Operating profit</b>	<b>50 135</b>	<b>8 939</b>
<b>Profit from financial items</b>		
Interest income and similar profit items	1 432	981
Interest expenses and similar expense items	-8 249	-10
<b>Profit after financial items</b>	<b>43 318</b>	<b>9 910</b>
<b>Profit before tax</b>	<b>43 318</b>	<b>9 910</b>
Tax on profit for the period	-12 893	-3 096
<b>Net profit for the period</b>	<b>30 425</b>	<b>6 814</b>

# Consolidated balance sheet

Amounts in thousands of SEK	03-31-2009	03-31-2008
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	10 016	15 540
	<b>10 016</b>	<b>15 540</b>
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	2 725	2 133
	<b>2 725</b>	<b>2 133</b>
<i>Financial assets</i>		
Participations in associated companies	300	-
Other long-term receivables	404	-
	<b>704</b>	-
<b>Total non-current assets</b>	<b>13 445</b>	<b>17 673</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Accounts receivable - trade	70 547	39 605
Current tax assets	27	-
Other receivables	2 579	7 609
Prepaid expenses and accrued income	37 334	29 156
	<b>110 487</b>	<b>76 370</b>
<b>Investments in securities</b>	<b>7 810</b>	<b>2 823</b>
<b>Cash and bank balances</b>	<b>71 085</b>	<b>49 999</b>
<b>Total current assets</b>	<b>189 382</b>	<b>129 192</b>
<b>TOTAL ASSETS</b>	<b>202 827</b>	<b>146 865</b>



Amounts in thousands of SEK 03-31-2009 03-31-2008

## EQUITY AND LIABILITIES

### Equity

#### *Restricted equity*

Share capital	2 141	2 141
Restricted reserves	26 982	31 634
Non-restricted reserves	67 582	47 515
Profit for the period	30 425	6 814

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<b>Total equity</b>	<b>127 130</b>	<b>88 104</b>
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#### *Provisions*

Deferred tax liability	4 024	4 454
	<b>4 024</b>	<b>4 454</b>

#### *Current liabilities*

Accounts payable - trade	10 491	10 009
Current tax liability	17 245	7 076
Other liabilities	2 127	6 924
Accrued expenses and deferred income	41 810	30 298
	<b>71 673</b>	<b>54 307</b>

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<b>TOTAL EQUITY AND LIABILITIES</b>	<b>202 827</b>	<b>146 865</b>
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## Pledged assets and contingent liabilities

	12-31-2008	12-31-2007
Pledged assets	None	None
Contingent liabilities	8 800	None

# Consolidated cash flow statement

Amounts in thousands of SEK	03-31-2009	03-31-2008
<b><i>Operating activities</i></b>		
Profit after financial items	43 318	9 910
Adjustments for non-cash items	5 559	6 826
	<b>48 877</b>	<b>16 736</b>
Income tax paid	-7 709	-2 119
<b>Cash flow from operating activities before working capital changes</b>	<b>41 168</b>	<b>14 617</b>
<b><i>Cashflow from working capital changes</i></b>		
Increase(-)/Decrease (+) in current receivables	-19 798	-27 943
Increase(+)/Decrease (-) in current liabilities	4 327	20 670
<b>Cash flow from operating activities</b>	<b>25 697</b>	<b>7 344</b>
<b><i>Investing activities</i></b>		
Sale of associated company	-	50
Purchase of equipment	-595	-1 914
Purchase of financial assets	-300	-
Received warrant premiums	4 817	-
<b>Cash flow from investing activities</b>	<b>3 922</b>	<b>-1 864</b>
Dividend paid	-8 564	-6 423
<b>Cash flow for the period</b>	<b>21 055</b>	<b>-943</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>57 840</b>	<b>53 765</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>78 895</b>	<b>52 822</b>



# Income statement - parent company

Amounts in thousands of SEK	07-01-2008	07-01-2007
	03-31-2009	03-31-2008
<b>Operating income</b>		
Net sales	237 433	155 056
Other operating income	350	131
	<b>237 783</b>	<b>155 187</b>
<b>Operating expenses</b>		
Other external expenses	-85 740	-80 569
Personnel expenses	-95 355	-58 593
<b>Operating profit before depreciation</b>	<b>56 688</b>	<b>16 025</b>
Depreciation/amortization of equipment and intangible assets	-3 017	-4 290
<b>Operating profit</b>	<b>53 671</b>	<b>11 735</b>
<b>Profit from financial items</b>		
Interest income and similar profit items	1 325	1 040
Interest expenses and similar expense items	-8 248	-8
<b>Profit after financial items</b>	<b>46 748</b>	<b>12 767</b>
<b>Profit before tax</b>	<b>46 748</b>	<b>12 767</b>
Tax on profit for the year	-13 068	-3 799
<b>Net profit for the period</b>	<b>33 680</b>	<b>8 968</b>

# Balance sheet – parent company

Amounts in thousands of SEK	03-31-2009	03-31-2008
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	1 564	5 397
	<b>1 564</b>	<b>5 397</b>
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	2 682	2 133
	<b>2 682</b>	<b>2 133</b>
<i>Financial assets</i>		
Participations in group companies	16 177	16 177
Participations in associated companies	300	-
Other long-term receivables	227	-
	<b>16 704</b>	<b>16 177</b>
<b>Total non-current assets</b>	<b>20 950</b>	<b>23 707</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Accounts receivable - trade	70 486	39 605
Receivables from group companies	833	1 631
Other receivables	2 455	7 516
Prepaid expenses and accrued income	36 019	26 738
	<b>109 793</b>	<b>75 490</b>
<b>Investments in securities</b>	<b>7 810</b>	<b>2 823</b>
<b>Cash and bank balances</b>	<b>68 038</b>	<b>44 958</b>
<b>Total current assets</b>	<b>185 641</b>	<b>123 271</b>
<b>TOTAL ASSETS</b>	<b>206 591</b>	<b>146 978</b>



Amounts in thousands of SEK 03-31-2009 03-31-2008

## EQUITY AND LIABILITIES

### Equity

#### *Restricted equity*

Share capital (2 140 940 shares)	2 141	2 141
Share premium reserve	-	26 860
Statutory reserve	22 375	200
	<b>24 516</b>	<b>29 201</b>

#### *Non-restricted equity*

Profit brought forward	60 871	49 931
Share premium reserve	9 502	-
Profit for the period	33 680	8 968
	<b>104 053</b>	<b>58 899</b>

**Total equity** **128 569** **88 100**

#### *Untaxed reserves*

Tax allocation reserves	6 419	6 419
	<b>6 419</b>	<b>6 419</b>

#### *Current liabilities*

Accounts payable - trade	10 491	9 844
Current tax liability	17 219	7 060
Liabilities to group companies	861	-
Other liabilities	1 973	5 696
Accrued expenses and deferred income	41 059	29 859
	<b>71 603</b>	<b>52 459</b>

**TOTAL EQUITY AND LIABILITIES** **206 591** **146 978**

## Pledged assets and contingent liabilities - parent company

	<b>03-31-2009</b>	<b>03-31-2008</b>
Pledged assets	None	None
Contingent liabilities	8 800	None

# Cash flow statement - parent company

Amounts in thousands of SEK	03-31-2009	03-31-2008
<b><i>Operating activities</i></b>		
Profit after financial items	46 748	12 767
Adjustments for non-cash items	3 017	4 290
	<b>49 765</b>	<b>17 057</b>
Income tax paid	-7 709	-2 119
<b>Cash flow from operating activities before working capital changes</b>	<b>42 056</b>	<b>14 938</b>
<b><i>Cashflow from working capital changes</i></b>		
Increase(-)/Decrease (+) in current receivables	-20 550	-27 717
Increase(+)/Decrease (-) in current liabilities	4 032	17 341
<b>Cash flow from operating activities</b>	<b>25 538</b>	<b>4 562</b>
<b><i>Investing activities</i></b>		
Sale of associated company	-	50
Purchase of equipment	-582	-1 914
Purchase of financial assets	-300	-
Received warrant premiums	4 817	-
<b>Cash flow from investing activities</b>	<b>3 935</b>	<b>-1 864</b>
Dividend paid	-8 564	-6 423
<b>Cash flow for the period</b>	<b>20 909</b>	<b>-3 725</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>54 939</b>	<b>51 506</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>75 848</b>	<b>47 781</b>



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