

# Interim Financial Report

Period July 1, 2008 – December 31, 2008

Cinnober Financial Technology AB  
Org no 556548-9654

- ▶ High increase in sales to 133.1 MSEK (79.0 MSEK)
- ▶ Very high increase in net profit to 18.1 MSEK (0.8 MSEK)
- ▶ Hong Kong Mercantile Exchange and Burgundy chose Cinnober as their technology partner
- ▶ Turquoise's system as well as Alpha's system was successfully put into production
- ▶ Acceptance has been received for the system delivery to Quadriserv

A white line-art illustration of a city skyline with various buildings and clouds. A large building on the left has a sign that says "Change".

Change



# Summary and key figures

Key figures, Consolidated	12-31-08	12-31-07
Sales (MSEK)	133.1	79.0
Operating profit (MSEK)	18.7	1.6
Profit before tax (MSEK)	25.7	1.4
Net profit (MSEK)	18.1	0.8
Operating margin	14.1%	2.0%
Net margin	13.6%	1.0%
Equity (MSEK)	110.0	83.9
Equity ratio	58.8%	64.8%
Quick ratio	236.6%	264.0%

## Introduction

This financial report covers the first 6 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 continues during this 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. Launch is planned to the second quarter of 2009.

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.

The Turbulence at the financial markets, which have dominated the fall, 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

Cinnober has during this 6-month period had an intense delivery period that has, among other things, included final deliveries of two trading systems.

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. Turquoise, launched during the financial turbulence, has taken six percent of the market share of the stocks they trade, which are the most liquid European stocks.

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

Quadrivers has during this period accepted their trading system, adapted for an effective and transparent trading within securities lending. The system is now being prepared for full operation during the first 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 this period, LIFFE launched, as the first exchange in the world, the capability for exchange handled and clearing of trading with so called Clearing Default Swaps (CDS). Through this expansion of Bclear, a system completely delivered by Cinnober, 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.

## Investments

Cinnober is continuously investing and developing the product family TRADExpress.

## Financial information

The consolidated sales amounted to 133.1 MSEK (79.0 MSEK) an increase by 68.4% and the profit before tax was 25.7 MSEK (1.4 MSEK) an increase by 1736%. The consolidated cash flow during the period was 32.3 MSEK (5.3 MSEK). The outlook for the remaining part of this financial year remains good, meaning we anticipate a positive development compared to the last financial year. 10.5 MSEK of the accounts receivables which were recorded at the end of the accounting period has been paid after the balance sheet date. None of the remaining accounts receivables is considered to be doubtful.

Regarding foreign exchange, Cinnober continuously hedge the majority of its foreign exchange exposure, up to 12 month. Accounts receivable 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 15.6 MSEK (0.1 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 by end of the accounting period. The unrealized loss is recorded as a contingent liability.

## Capital stock

As of December 31, 2008, 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.

## 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.

The former board member and chairman of the board, Gunnar Lindell, had previously declined re-election. At the board meeting that followed the election, Nils-Robert Persson was appointed chairman of the board, a position he previously held 2000–2006.

Stockholm January 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
	12-31-2008	12-31-2007
<b>Operating income</b>		
Net sales	132 863	78 905
Other operating income	200	131
	<b>133 063</b>	<b>79 036</b>
<b>Operating expenses</b>		
Other external expenses	-49 862	-32 973
Personnel expenses	-60 808	-40 002
<b>Operating profit before depreciation</b>	<b>22 393</b>	<b>6 061</b>
Depreciation/amortization of equipment and intangible assets	-3 698	-4 491
<b>Operating profit</b>	<b>18 695</b>	<b>1 570</b>
<b>Profit from financial items</b>		
Interest income and similar profit items	7 259	644
Interest expenses and similar expense items	-248	-817
<b>Profit after financial items</b>	<b>25 706</b>	<b>1 397</b>
<b>Profit before tax</b>	<b>25 706</b>	<b>1 397</b>
Tax on profit for the period	-7 628	-575
<b>Net profit for the period</b>	<b>18 078</b>	<b>822</b>

# Consolidated balance sheet

Amounts in thousands of SEK	12-31-2008	12-31-2007
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	11 688	19 428
	<b>11 688</b>	<b>19 428</b>
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	2 749	1 817
	<b>2 749</b>	<b>1 817</b>
<i>Financial assets</i>		
Participations in associated companies	300	50
Other long-term receivables	-	108
	<b>300</b>	<b>158</b>
<b>Total non-current assets</b>	<b>14 737</b>	<b>21 403</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Accounts receivable - trade	55 333	30 755
Current tax assets	30	687
Other receivables	272	57
Prepaid expenses and accrued income	26 613	17 169
	<b>82 248</b>	<b>48 668</b>
<b>Investments in securities</b>	<b>7 815</b>	<b>21 943</b>
<b>Cash and bank balances</b>	<b>82 345</b>	<b>37 482</b>
<b>Total current assets</b>	<b>172 408</b>	<b>108 093</b>
<b>TOTAL ASSETS</b>	<b>187 145</b>	<b>129 496</b>



Amounts in thousands of SEK 12-31-2008 12-31-2007

## EQUITY AND LIABILITIES

### Equity

#### *Restricted equity*

Share capital	2 141	2 141
Restricted reserves	26 969	28 992
Non-restricted reserves	62 813	51 906
Profit for the period	18 078	822

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<b>Total equity</b>	<b>110 001</b>	<b>83 861</b>
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#### *Provisions*

Deferred tax liability	4 261	4 698
	<b>4 261</b>	<b>4 698</b>

#### *Current liabilities*

Accounts payable - trade	10 252	14 764
Current tax liability	13 425	1 640
Other liabilities	2 198	1 395
Accrued expenses and deferred income	47 008	23 138
	<b>72 883</b>	<b>40 937</b>

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<b>TOTAL EQUITY AND LIABILITIES</b>	<b>187 145</b>	<b>129 496</b>
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## Pledged assets and contingent liabilities

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	<b>12-31-2008</b>	<b>12-31-2007</b>
Pledged assets	None	None
Contingent liabilities	15.6	0.1

# Consolidated cash flow statement

Amounts in thousands of SEK	12-31-2008	12-31-2007
<b><i>Operating activities</i></b>		
Profit after financial items	25 706	1 397
Adjustments for non-cash items	3 698	4 491
	<b>29 404</b>	<b>5 888</b>
Income tax paid	-6 081	-1 186
<b>Cash flow from operating activities before working capital changes</b>	<b>23 323</b>	<b>4 702</b>
<b><i>Cashflow from working capital changes</i></b>		
Increase(-)/Decrease (+) in current receivables	8 765	-199
Increase(+)/Decrease (-) in current liabilities	9 526	8 679
<b>Cash flow from operating activities</b>	<b>41 614</b>	<b>13 182</b>
<b><i>Investing activities</i></b>		
Purchase of equipment	-430	-1 460
Purchase of financial assets	-300	-
<b>Cash flow from investing activities</b>	<b>-730</b>	<b>-1 460</b>
Dividend paid	-8 564	-6 423
<b>Cash flow for the period</b>	<b>32 320</b>	<b>5 299</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>90 160</b>	<b>59 064</b>



# Income statement - parent company

Amounts in thousands of SEK	07-01-2008	07-01-2007
	12-31-2008	12-31-2007
<b>Operating income</b>		
Net sales	132 863	78 839
Other operating income	200	131
	<b>133 063</b>	<b>78 970</b>
<b>Operating expenses</b>		
Other external expenses	-52 631	-37 782
Personnel expenses	-58 469	-34 392
<b>Operating profit before depreciation</b>	<b>21 963</b>	<b>6 796</b>
Depreciation/amortization of equipment and intangible assets	-2 001	-2 800
<b>Operating profit</b>	<b>19 962</b>	<b>3 996</b>
<b>Profit from financial items</b>		
Interest income and similar profit items	7 276	613
Interest expenses and similar expense items	-247	-814
<b>Profit after financial items</b>	<b>26 991</b>	<b>3 795</b>
<b>Profit before tax</b>	<b>26 991</b>	<b>3 795</b>
Tax on profit for the year	-7 577	-1 100
<b>Net profit for the period</b>	<b>19 414</b>	<b>2 695</b>

# Balance sheet – parent company

Amounts in thousands of SEK	12-31-2008	12-31-2007
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	2 391	6 750
	<b>2 391</b>	<b>6 750</b>
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	2 709	1 817
	<b>2 709</b>	<b>1 817</b>
<i>Financial assets</i>		
Participations in group companies	16 177	16 177
Participations in associated companies	300	50
	<b>16 477</b>	<b>16 227</b>
<b>Total non-current assets</b>	<b>21 577</b>	<b>24 794</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Accounts receivable - trade	55 333	30 871
Receivables from group companies	416	730
Current tax assets	-	687
Other receivables	1	118
Prepaid expenses and accrued income	24 610	14 762
	<b>80 360</b>	<b>47 168</b>
<b>Investments in securities</b>	<b>7 815</b>	<b>21 943</b>
<b>Cash and bank balances</b>	<b>78 857</b>	<b>33 266</b>
<b>Total current assets</b>	<b>167 032</b>	<b>102 377</b>
<b>TOTAL ASSETS</b>	<b>188 609</b>	<b>127 171</b>



Amounts in thousands of SEK 12-31-2008 12-31-2007

## 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	4 685	-
Profit for the period	19 414	2 695
	<b>84 970</b>	<b>52 626</b>

**Total equity** **109 486** **81 827**

#### *Untaxed reserves*

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

#### *Current liabilities*

Accounts payable - trade	10 252	14 315
Current tax liability	13 421	1 100
Other liabilities	2 024	1 197
Accrued expenses and deferred income	47 007	22 313
	<b>72 704</b>	<b>38 925</b>

**TOTAL EQUITY AND LIABILITIES** **188 609** **127 171**

## Pledged assets and contingent liabilities - parent company

	<b>12-31-2008</b>	<b>12-31-2007</b>
Pledged assets	None	None
Contingent liabilities	15.6	0.1

# Cash flow statement - parent company

Amounts in thousands of SEK	12-31-2008	12-31-2007
<i>Operating activities</i>		
Profit after financial items	26 991	3 795
Adjustments for non-cash items	2 001	2 800
	<b>28 992</b>	<b>6 595</b>
Income tax paid	-6 017	-1 186
<b>Cash flow from operating activities before working capital changes</b>	<b>22 975</b>	<b>5 409</b>
<i>Cashflow from working capital changes</i>		
Increase(-)/Decrease (+) in current receivables	8 855	-5 097
Increase(+)/Decrease (-) in current liabilities	9 187	10 913
<b>Cash flow from operating activities</b>	<b>41 017</b>	<b>11 225</b>
<i>Investing activities</i>		
Purchase of equipment	-420	-1 460
Purchase of financial assets	-300	-
<b>Cash flow from investing activities</b>	<b>-720</b>	<b>-1 460</b>
<b>Cash flow for the period</b>	<b>31 733</b>	<b>3 342</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>86 672</b>	<b>54 848</b>



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