

Interim Financial Report

Period July 1, 2008 – September 30, 2008

Cinnober Financial Technology AB
Org no 556548-9654

- ▶ Chosen as the technology partner by Hong Kong Mercantile Exchange and Burgundy
- ▶ A continued high increase in Sales with 76% to 46.2 MSEK
- ▶ The Turquoise system was successfully put into production
- ▶ Acceptance has been received for the system delivery to Quadriserv
- ▶ *Updated December 4, 2008:* The system for Alpha Trading Systems was put into production on November 7
- ▶ *Updated December 4, 2008:* The Consolidated Net Sales and Consolidated Profit before tax for the first four months of the financial year amounted to 75.4 MSEK (45.2 MSEK) an increase of 67%, and 3.8 MSEK (-1.0 MSEK), respectively
- ▶ *Updated December 4, 2008:* For the financial year 08/09 Cinnober's forecast is an increase in Sales with at least 35% compared to last year, and an Operating Margin amounting to at least 15%



Change



Summary and key figures

Key figures, Consolidated	09-30-08	09-30-07
Sales (MSEK)	46.2	26.3
Operating Profit/Loss (MSEK)	-5.0	-2.5
Profit/Loss Before Tax (MSEK)	-3.9	-2.5
Net Profit/Loss (MSEK)	-4.2	-2.2
Operating Margin	Negative	Negative
Net Margin	Negative	Negative
Equity (MSEK)	88.0	87.2
Equity Ratio	51.0%	71.8%
Quick Ratio	195.6%	338.5%

Introduction

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

Customers and the Market

Cinnober's expansive development continues, as we have succeeded in developing new relationships with customers. During this quarter we have also increased our office facilities, to secure the possibility of a continued effective expansion of our operations.

During the period, Cinnober announced that, in the face of fierce competition, Cinnober was chosen as the technology supplier for both Hong Kong Mercantile Exchange and Burgundy.

Hong Kong Mercantile Exchange will primarily handle trading in derivatives in oil, for delivery to China. This deal is a milestone for Cinnober, since this is our first order from Asia, and we hope it will give us a platform for establishing Cinnober as a player in the Asian market.

Burgundy is a so-called MTF, Multilateral Trading Facility, for the Nordic market and will offer trading in Nordic stocks in direct competition with the existing stock exchanges, such as Nasdaq OMX. We will deliver to Burgundy a turnkey solution, which 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 capable of taking total responsibility for the system. During the last years, Cinnober has built up the capacity and competence to be able to provide operations services, an investment from which we now can reap the benefits.

This autumn has been marked by a turbulent finance market, which now seems to be developing into a global recession. So far, there has been no more than a marginal effect on the interest in our products and services. This interest is due to, 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. The interest from potential customers is perceived as very high, and we are involved in a number of negotiations which we have good possibilities of winning.

Successful deliveries

Cinnober has, within a period of only a few weeks, made final deliveries of several complete trading systems.

During this quarter, we have successfully put the system into operation for Turquoise – a European MTF that competes with the European stock exchanges and offers trading in 1 300 stocks. Cinnober provides Turquoise with a turnkey solution: we have the overall responsibility for operating the system for the stock exchange.

The system for Alpha, a so-called Alternative Trading System (ATS) for the Canadian stock market, has also been delivered during this period, and the customer has now successfully performed industry tests of the system. Alpha's system is soon ready to be put into operation.

Quadriverv has accepted their trading system and is now preparing their business activities to be put into operation.

Furthermore, a number of additional deliveries have been made to our existing customers.

Investments

Cinnober is continuously investing and developing our product family TRADExpress.

Financial Information

The first quarter is normally weaker than the other quarters, which is also the case this year. This is primarily explained by the vacation period: Since fewer hours are worked, the amount of revenue that can be recognized in accordance with the percentage-of-completion method is negatively affected. The consolidated sales amounted to 46.2 MSEK (26.3 MSEK) and the profit/loss before tax was -3.9 MSEK (-2.5 MSEK). The consolidated cash flow during the period was -7.9 MSEK (12.3 MSEK). We have great expectations for a positive development in this financial year, compared to the previous financial year.

Updated December 4, 2008: For the first four months of the current financial year, the consolidated net sales amounted to 75.4 MSEK (45.2 MSEK) and the consolidated profit before tax was 3.8 MSEK (-1.0 MSEK). For the whole financial year 08/09, Cinnober's forecast is an increase in sales with at least 35% compared to previous year, and an operating margin amounting to at least 15%.

Capital Stock

As of September 30, 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.

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 as board members. Peter Lenti was also elected as a new member of the Board of Directors. The former board member and Chairman of the Board, Gunnar Lindell, had previously declined re-election. At the Board Meeting following the election, Nils-Robert Persson was appointed Chairman of the Board, a position he also held during the period 2000-2006.

Stockholm October 30, 2008

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
	09-30-2008	09-30-2007
<i>Operating income</i>		
Net sales	46 182	26 297
Other operating income	50	-
	46 232	26 297
<i>Operating expenses</i>		
Other external expenses	-23 873	-9 524
Personnel expenses	-25 472	-17 075
Operating profit (loss) before depreciation	- 3 113	-302
Depreciation/amortization of equipment and intangible assets	-1 843	-2 234
Operating profit (loss)	-4 956	-2 536
<i>Profit (loss) from financial items</i>		
Profit (loss) from other securities	-185	-
Interest income and similar profit items	1 237	1 362
Interest expenses and similar expense items	-3	-1 303
Profit (loss) after financial items	-3 907	- 2 477
Profit (loss) before tax	-3 907	-2 477
Tax on profit for the period	-288	244
Net profit (loss) for the period	-4 195	-2 233

Consolidated Balance Sheet

Amounts in thousands of SEK	09-30-2008	09-30-2007
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	13 361	21 626
	13 361	21 626
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	2 724	467
	2 724	467
<i>Financial assets</i>		
Participations in associated companies	-	50
	-	50
Total Non-current assets	16 085	22 143
Current Assets		
<i>Current Receivables</i>		
Accounts receivable - trade	70 398	17 288
Current tax assets	29	1 729
Other receivables	3 000	-
Prepaid expenses and accrued income	32 171	14 307
	105 598	33 324
Investments in securities	7 810	22 049
Cash and bank balances	42 085	43 977
Total Current Assets	155 493	99 350
TOTAL ASSETS	171 578	121 493



Amounts in thousands of SEK 09-30-2008 09-30-2007

EQUITY AND LIABILITIES

Equity

Restricted Equity

Share capital	2 141	2 141
Restricted reserves	26 943	28 993
Non-restricted reserves	62 677	58 301
Profit (loss) for the period	-4 195	-2 233

Total Equity **87 566** **87 202**

Provisions

Deferred tax liability	4 498	4 942
	4 498	4 942

Current liabilities

Accounts payable - trade	12 819	6 299
Liabilities to Group companies	-	65
Current tax liability	11 138	5 409
Other liabilities	10 772	5 136
Accrued expenses and deferred income	44 785	12 440
	79 514	29 349

TOTAL EQUITY AND LIABILITIES **171 578** **121 493**

Pledged Assets and Contingent Liabilities

	09-30-2008	09-30-2007
Pledged assets	None	None
Contingent liabilities	None	None

Consolidated Cash Flow Statement

Amounts in thousands of SEK	09-30-2008	09-30-2007
<i>Operating activities</i>		
Profit (loss) after financial items	-3 907	-2 477
Adjustments for non-cash items	-6 721	2 234
	-10 628	-243
Income tax paid	-739	-593
Cash flow from operating activities before working capital changes	-11 367	-836
<i>Cashflow from working capital changes</i>		
Increase(-)/Decrease (+) in current receivables	-14 586	15 748
Increase(+)/Decrease (-) in current liabilities	18 231	-2 599
Cash flow from operating activities	-7 722	12 313
<i>Investing activities</i>		
Purchase of equipment	-223	-52
Cash flow from investing activities	-223	-52
Cash flow for the period	-7 945	12 261
Cash and cash equivalents at the beginning of the period	57 840	53 765
Cash and cash equivalents at the end of the period	49 895	66 026



Income Statement - Parent Company

Amounts in thousands of SEK	07-01-2008	07-01-2007
	09-30-2008	09-30-2007
Operating income		
Net sales	46 182	26 250
Other operating income	50	-
	46 232	26 250
Operating expenses		
Other external expenses	-24 913	-10 488
Personnel expenses	-24 341	-15 444
Operating profit (loss) before depreciation	-3 022	318
Depreciation/amortization of equipment and intangible assets	-995	-1 389
Operating profit (loss)	-4 017	-1 071
Profit (loss) from financial items		
Profit (loss) from other securities	-185	-
Interest income and similar profit items	1 251	1 293
Interest expenses and similar expense items	-1	-1 303
Profit (loss) after financial items	-2 952	-1 081
Net profit (loss) for the period	-2 952	-1 081

Balance Sheet – Parent Company

Amounts in thousands of SEK	09-30-2008	09-30-2007
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	3 218	8 102
	3 218	8 102
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	2 686	467
	2 686	467
<i>Financial assets</i>		
Participations in group companies	16 177	16 177
Participations in associated companies	-	50
	16 177	16 227
Total Non-current assets	22 081	24 796
Current Assets		
<i>Current Receivables</i>		
Accounts receivable - trade	70 398	17 222
Receivables from group companies	841	397
Current tax assets	-	1 729
Other receivables	2 814	-
Prepaid expenses and accrued income	30 105	11 827
	104 158	31 175
Investments in securities	7 810	21 943
Cash and bank balances	39 132	41 956
Total Current Assets	151 100	95 074
TOTAL ASSETS	173 181	119 870



Amounts in thousands of SEK 09-30-2008 09-30-2007

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
	24 516	29 201

Non-restricted equity

Profit brought forward	60 871	56 354
Share premium reserve	4 685	-
Profit (loss) for the period	-2 952	-1 081
	62 604	55 273

Total Equity **87 120** **84 474**

Untaxed reserves

Tax allocation reserves	6 419	6 419
	6 419	6 419

Current liabilities

Accounts payable - trade	12 819	6 169
Liabilities to Group companies	361	618
Current tax liability	11 138	4 788
Other liabilities	10 587	4 995
Accrued expenses and deferred income	44 737	12 407
	79 642	28 977

TOTAL EQUITY AND LIABILITIES **173 181** **119 870**

Pledged Assets and Contingent Liabilities - Parent Company

	09-30-2008	09-30-2007
Pledged assets	None	None
Contingent liabilities	None	None

Cash Flow Statement - Parent Company

Amounts in thousands of SEK	09-30-2008	09-30-2007
<i>Operating activities</i>		
Profit (loss) after financial items	-2 952	-1 081
Adjustments for non-cash items	-7 569	1 389
	-10 521	308
Income tax paid	-722	-593
Cash flow from operating activities before working capital changes	-11 243	-285
<i>Cashflow from working capital changes</i>		
Increase(-)/Decrease (+) in current receivables	-14 688	14 750
Increase(+)/Decrease (-) in current liabilities	18 152	-2 020
Cash flow from operating activities	-7 779	12 445
<i>Investing activities</i>		
Purchase of equipment	-218	-52
Cash flow from investing activities	-218	-52
Cash flow for the period	-7 997	12 393
Cash and cash equivalents at the beginning of the period	54 939	51 506
Cash and cash equivalents at the end of the period	46 942	63 899



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