

Annual report 07/08

Cinnober Financial Technology AB

July 1, 2007 - June 30, 2008

Org no 556548-9654





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Annual General Meeting

Time

The Annual General Meeting (AGM) for Cinnober Financial Technology AB, org. no. 556548-9654, takes place on October 16, 2008, at 5pm.

Location

Cinnober Financial Technology AB, Kungsgatan 36, Stockholm.

The Right to Participate

To have voting rights at the AGM, the stockholder must:
- be registered in the share register on October 10, 2008.

Registration in the Share Register

To have the right to participate in the AGM, the stockholder must be registered in the share register, which is maintained by VPC AB.

Nominee stockholders, who want to participate, must therefore temporarily register the shares in their own names. Registration must be completed no later than October 10, 2008, which means that stockholders must notify the nominee in good time before that date.

Financial Calendar 2008/2009

Interim Report for July 1 - September 30, 2008:
October 30, 2008.

Interim Report for October 1 - December 31, 2008:
January 29, 2008.

Interim Report for January 1 - March 31, 2009:
April 29, 2009.

This annual 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.

Management Report

The Board of Directors and the Chief Executive Officer of Cinnober Financial Technology AB, 556548-9654, hereby submit the annual report and the consolidated accounts for the financial year 2007/2008, the company's tenth year of operations.

A summary of the business activities for the Group follows below.

Summary of Business Activities

Cinnober Financial Technology AB develops system solutions for exchanges and other marketplaces. The company's target group consists primarily of stock exchanges, banks, and other financial players who have very high demands for system solutions in terms of functionality and size.

The company bases its deliveries on the proprietary platform TRADExpress™. Cinnober offers a number of products on top of this platform, for example the TRADExpress™ Trading System, a complete trading engine; the TRADExpress™ Trade Manager, a post-trade management system; and the TRADExpress™ Alternative Trading System, a trading platform adapted to new alternative market places (the so-called MTFs, Multilateral Trading Facilities and ATSS, Alternative Trading Systems). All products and solutions are Java-based and independent of any particular hardware, databases or operating systems.

Cinnober has a history of successful deliveries, and possess in depth competence in its area of specialties. The fact that Cinnober offers niche products, as opposed to consulting solutions, and also is an independent actor, since Cinnober does not itself operate an exchange or market place, are considered to be major competitive advantages.

During the financial year, the company has won three new major customers. The European banking consortium Turquoise, the Canadian banking consortium Alpha Trading Systems, and American Quadriserv have all chosen Cinnober as their technology provider. All three of these contracts are large and important for Cinnober. They position Cinnober as a leading provider of trading systems among the players who establish new markets, thus redrawing the map of exchange markets in Europe and North America.

Cinnober's system deliveries to Alpha Trading Systems and Turquoise both concerns market places for equity trading. The players behind Turquoise are nine of the world's leading investment banks: Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley, UBS, BNP Paribas, and Société Générale. These players provide the initiative with strength and the ability to succeed which is necessary to establish the new marketplace. Alpha Trading Systems is owned by nine of the leading players in the Canadian stock market, which also gives the initiative a very good position to succeed. Quadriserv is planning to start a new type of marketplace in the coming financial year.

Existing customers have continued to place orders for further development of the systems which Cinnober has delivered to them previously. Among other things, Cinnober delivered additional functionality to Markit BOAT (which was successfully put into production during the year), Borsa Italiana, Liffe NYSE Euronext and London Metal Exchange.

Cinnober also offers services in the field of hosting and operation, which means that customers are offered a total turn key solution, in which Cinnober is responsible for the operation of the system. The concept of this total turn key solution has been positively received, and the expectation is that this will continue to develop in the next few years. Currently we provide hosting and operations services to Liffe NYSE Euronext, Markit BOAT, and Turquoise.

This year NYSE acquired the American Stock Exchange (AMEX). According to the NYSE, trading in the options trading system ANTE, which was delivered by Cinnober to AMEX in 2003, will possibly be phased over to their ARCA platform in 2009. If that happens, then Cinnober's support revenue from the ANTE system will cease from this date.

During this financial year, Cinnober has continued to expand quickly when it comes to revenue. This has also resulted in a staff expansion, in order to meet the strongly growing demand and the new large, demanding customer projects. The company has moved to new, larger premises in Stockholm City to allow for a continued expansion, and opened a local office on Wall Street in New York to provide better service to the growing number of customers in North America. In the context of these milestones in the company's history, Cinnober's graphical profile, including its logo, has also been updated.

Employees

Cinnober's staff has many years of experience in transaction technology, and the vast majority is university graduates. During the financial year, 43 new people have joined us. These new employees are a mix of people with long and relevant experience in the financial markets and graduates with masters of Science in Engineering.

At the balance sheet date, the group had 136 employees (97) and employed additionally approximately 25 external development consultants. The percent number of external consultants in the business has been much higher than normal, which affects the cost level of the company. As system deliveries, such as those to Turquoise and Alpha Trading Systems are implemented, however, we estimate that the number of external consultants could be reduced. The assessment is that Cinnober will have continued good opportunities to increase turnover, and that this can be done without major increases in staff.



Profits

The consolidated sales grew by 89% (58%) to 238.3 MSEK (126.0). The consolidated profit before tax increased by 165% (3%) to 24.9 MSEK (9.4) and the consolidated operating profit before depreciation and amortization increased by 66% (154%) to 33.8 MSEK (20.4).

Cinnober is continuously investing in its product family TRADExpress™. During the financial year, most of the development has been integrated into our customer projects, and all costs related to development have been carried as expenses in the income statement, amounting to 23.4 MSEK (0).

The Group's total depreciation and amortization amounted to 9.2 MSEK (6.8).

Operating expenses are dominated by personnel costs of 106.4 MSEK (65.4). Other external expenses amounted to SEK 98.4 (40.4). This includes consultancy costs of 29.5 MSEK (13.1), pass-through invoicing expenses for hardware purchases and operation of customers' systems of 18.3 MSEK (8.2), moving costs of 3.8 MSEK (0.3), recruitment costs of 2.7 MSEK (0.4), and the trademark project costs 1.5 MSEK (0).

Other external costs, adjusted for the increase of the above items, were 64.6 MSEK. The change in other external costs amounted to 60% compared with 144%, before adjustment, which shows that the underlying cost increase is lower than increase in revenue.

The vast majority of the group's revenue during the financial year was invoiced in EUR (60%), GBP (27%), and USD (12%). Cinnober hedges larger streams of income which are known in advance.

Financial Position

The Group's financial position remains very strong. On June 30, 2008, the Group's equity amounted to 100.3 MSEK (89.5). The asset side of the Consolidated Balance Sheet contains Current Assets in total of 148.8 MSEK (102.8), of which Accounts Receivables are 37.2 MSEK (22.6). 31.0 MSEK of the Accounts Receivables which were recorded at year end has been paid after the balance sheet date. None of the remaining Accounts Receivables are considered to be doubtful.

Market Situation

The market, where Cinnober is active, features two main trends at the moment: consolidation and fragmentation.

The consolidation trend manifests itself with marketplaces acquiring each other in whole or in part, for example NASDAQ's purchase of OMX, LSE's acquisition of Borsa Italiana, and the

NYSE's acquisition of Euronext Liffe and the American Stock Exchange. With such acquisitions of marketplaces which have purchased systems from Cinnober occur both risks and opportunities for the company: Risks such as that the purchaser may wish to integrate the acquired business into their own system platform and thereby phase out Cinnober's system. Opportunities such as Cinnober having a relationship with a larger marketplace, to which it may get to deliver a trading system.

Fragmentation is driven in particular by the deregulation of trading (such as the EU Directive MIFID, and Regulation NMS in the U.S.), and the new players coming in and putting up marketplaces. These new players often have a need to get started quickly and are therefore interested in buying Cinnober's trading system, rather than to develop a system themselves.

Cinnober continues to work very actively in Sales, processing a variety of inquiries from existing and potential new customers. The target group, which includes stock exchanges and banks, are believed to have a continued, significant need for investments. The ongoing credit crunch and incipient downturn has, so far, had no more than a marginal effect on the company's assessment of the market. The noticeable effect is that the financing of certain new customer projects are uncertain, which may result in these customers' decision-making processes being extended. However, the interest from potential clients continues to be high, and the number of requests that the company processes therefore continues to increase.

Significant Events after the Balance Sheet Date

In August 2008, and according to plan, Turquoise went successfully into operation with its system solution from Cinnober. In addition, Quadriserv, according to plan, accepted its system delivery during August 2008. During the same month the delivery to Alpha Trading Systems went into acceptance testing, and is from September in the final industry test phase.

Key Figures

Consolidated	06-30-08	06-30-07	06-30-06	06-30-05	06-30-04
Sales (MSEK)	238.3	126.0	79.8	68.5 ³	80.3
Operating Profit (MSEK)	24.7	13.5	4.6	3.6 ³	15.1
Adjusted Operating Profit (MSEK)	30.0 ¹	15.1 ²	4.6	3.6 ³	15.1
Profit Before Tax (MSEK)	24.9	9.4	9.2	2.8	16.2
Net Profit for the year (MSEK)	17.3	5.2	6.4	5.6	11.3
Operating Margin	10.4%	10.7%	5.7%	2.7% ³	18.7%
Adjusted Operating Margin	12.6% ¹	12.0% ²	5.7%	2.7% ³	18.7%
Net Margin	7.3%	4.1%	8.0%	8.4%	20.1%
Equity (MSEK)	100.3	89.5	83.7	81.8	80.3
Equity Ratio	60.2%	70.4%	77.6%	81.7%	76.7%
Quick Ratio	240.0%	316.3%	464.7%	574.3%	559.1%

¹ Operating Profit and Operating Margin adjusted for items affecting comparability of 5.3 MSEK, consisting of moving costs and costs for the trademark platform.

² Operating Profit adjusted for items affecting comparability of 1.6 MSEK. These items consist of legal- and moving costs.

³ Includes revenue from the sale of the associated company CScreen Ltd.

The Group

In addition to the parent company Cinnober Financial Technology AB, the group of companies comprises the wholly-owned subsidiaries Cinnober Americas Inc., which is registered in the United States; Cinnober UK Ltd., which is registered in Britain; and the Swedish subsidiaries Cinnober Products AB and Cinetics AB, both with domiciles in Stockholm. The shares in the associated company Börsspelet Svenska AB were disposed of during the year.

Ownership

The company's capital stock consists of 570 000 Series A shares with 10 votes per share and 1 570 940 series B shares with one vote per share. As of June 30, 2008, the company has a total of 175 shareholders (144).

Since 2005, Cinnober is listed with Alternativa Aktiemarknaden (The Alternative Stock Market), where the company's shares are traded every six months. The price is determined by a special Market advisory committee. In the trading period in June 2008, 16 650 shares were traded at a price of SEK 170 per share. Trade during the year 2008/2009, is planned to be conducted in December 2008 and June 2009.

Stockholder structure

The largest stockholders in Cinnober with their voting rights and percentage of equity are, as of June 30, 2008:

Stockholder	Number of shares		Votes (%)	Capital (%)
	A	B		
Gunnar Lindell*	150 667	125 691	22.45	12.91
Peter Lenti*	125 667	3 500	17.33	6.03
Gunnar Mjöberg*	113 000	21 750	15.84	6.29
Pär Bertilsson*	95 666	5 766	13.16	4.47
Peter Snellman*	50 000	61 625	7.65	4.95
Nils-Robert Persson*	0	405 365	5.58	18.93
Catella via the fund Fokus	0	266 128	3.66	12.43

* Including family and/or privately held company holdings



Proposed disposition of Earnings

The board of directors and the CEO propose that the unappropriated earnings at the disposal of the AGM, 74.1 MSEK, are to be allocated as follows:

	Amount
Dividend to shareholders (2 140 940 shares at 4 kr)	8 563 760
Funds to be carried forward	65 555 400
Total	74 119 160

The Board proposes that the AGM decide that the record day should be October 21, 2008.

Board's statement on the proposed distribution of earnings:

It is the opinion of the Board and the CEO that the proposed dividend is defensible with reference to the demands and the nature, scope and risks that the operations place on the size of the company's equity and the company's consolidation needs, liquidity and position in general.

Consideration has also been made to the demands and the nature, scope and risks that the Group's operations place on the size of the Group's equity and the Group's consolidation needs, liquidity and position in general.

Board of Directors and Auditor

Gunnar Lindell, Chairman of the Board, born 1956
Stockholdings: With family and privately held companies, 150 667 A series, 125 691 B series
Options: None
Occupation: Privately held companies
Other associations: Board Member and CEO of Palliser AB, Chairman of the Board of EV112 Development AB, Board Member of Billidea AB

Nils-Robert Persson, Board Member, born 1956
Stockholdings: With family and privately held companies, 405 365 B series
Options: None
Occupation: Employee of Cinnober Financial Technology AB
Other associations: Chairman of the Board of Triona AB, Board Member of Neonet AB and Zaramant Fonder AB

Helena Westin, Board Member, born 1961
Stockholdings: None
Options: None
Occupation: CEO of Rörlig Bild Sverige AB
Other associations: Board Member of Aftonbladet Produktion AB and TVNU Sweden AB

Stefan Widenfelt, Board Member, born 1959
Stockholdings: None
Options: None
Occupation: CEO of Catella Capital AB, Catella Kapitalförvaltning AB, and Alletac Shared Services AB
Other associations: Chairman of the Board of Catella Fondförvaltning AB

Peter Lenti, Alternate Board Member, born 1957
Stockholdings: With family, 125 667 A series 3 500 B series
Options: None
Occupation: Employed by Cinnober Financial Technology AB
Other associations: None

Auditor

Svante Forsberg, born 1952, Authorized Public Accountant, Deloitte AB. Auditor in charge for Cinnober Financial Technology AB since 2004.

For information regarding the earnings and financial position of the Group and the Parent Company in other respects, refer to the income statements, balance sheets and notes below.

Consolidated Income Statement

Amounts in thousands of SEK	Note	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
<i>Operating income</i>			
Net sales	1	238 345	126 027
Other operating income		383	125
		238 728	126 152
<i>Operating expenses</i>			
Other external expenses	2	-98 442	-40 367
Personnel expenses	3	-106 438	-65 413
Operating profit before depreciation		33 848	20 372
Depreciation/amortization of equipment and intangible assets		-9 177	-6 849
Operating profit		24 671	13 523
<i>Profit from financial items</i>			
Profits from participations in associated companies		-	4
Interest income and similar profit items	4	2 792	1 819
Interest expenses and similar expense items	5	-2 532	-5 939
Profit after financial items		24 931	9 407
Profits before tax		24 931	9 407
Tax on profit for the year	7	-7 612	-4 227
Net profit for the year		17 319	5 180



Consolidated Balance Sheet

Amounts in thousands of SEK	Note	06-30-2008	06-30-2007
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditures for research and development and similar	8	15 033	23 823
		15 033	23 823
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	9	2 672	453
		2 672	453
<i>Financial assets</i>			
Participations in associated companies	11	-	54
		-	54
Total Non-current Assets		17 705	24 330
Current assets			
<i>Current receivables</i>			
Accounts receivable - trade		37 217	22 613
Receivables from Group companies		-	566
Current tax assets		-	100
Other receivables		2 496	2 462
Prepaid expenses and accrued income	12	51 270	23 497
		90 983	49 238
<i>Investments in securities</i>	13	2 995	21 944
<i>Cash and bank balances</i>		54 845	31 657
Total current assets		148 823	102 839
TOTAL ASSETS		166 528	127 169

EQUITY AND LIABILITIES

Equity	14		
Share capital		2 141	2 082
New share issue in progress		-	4 744
Restricted reserves		26 922	26 949
Non-restricted reserves		53 916	50 519
Profit for the year		17 319	5 180
Total Equity		100 298	89 474
Provisions			
Deferred tax liability		4 210	5 186
		4 210	5 186
Current liabilities			
Accounts payable - trade		12 932	6 468
Liabilities to Group companies		-	50
Current tax liability		11 848	6 010
Other liabilities		2 040	1 745
Accrued expenses and deferred income	15	35 200	18 236
		62 020	32 509
TOTAL EQUITY AND LIABILITIES		166 528	127 169

Pledged Assets and Contingent Liabilities

		06-30-2008	06-30-2007
Pledged assets		None	None
Contingent liabilities	17	None	None



Consolidated Cash Flow Statement

Amounts in thousands of SEK	06-30-2008	06-30-2007
Operating activities		
Profit after financial items	24 931	9 407
Adjustments for non-cash items	9 177	12 253
	34 108	21 660
Income tax paid	-2 650	4 156
Cash flow from operating activities before working capital changes	31 458	25 816
Cash flow from working capital changes		
Increase(-)/Decrease (+) in current receivables	-41 845	-16 538
Increase(+)/Decrease (-) in current liabilities	23 605	5 414
Cash flow from operating activities	13 218	14 692
Investing activities		
Acquisition of subsidiary	-	-11 369
Sale of associated company	50	-
Purchase of equipment	-2 606	-367
Purchase of intangible assets	-	-1 517
Sale of financial assets	-	2 866
Cash flow from investing activities	-2 556	-10 387
Financing activities		
New share issue	-	4 744
Repayment of shareholder contributions	-	-2 630
Redemption of warrants	-	-5 878
Dividend paid	-6 423	-4 163
Cash flow from financing activities	-6 423	-7 927
Cash flow for the year	4 239	-3 622
Cash and cash equivalents at the beginning of the year	53 601	57 223
Cash and cash equivalents at the end of the year	57 840	53 601

Supplementary Disclosures to the Consolidated Cash Flow Statement

Adjustments for items not included in the cash flow

Accrued interest	-	-470
Redemption of warrants	-	5 878
Depreciation of equipment	387	154
Amortization of intangible assets	8 790	6 695
Sale of associated company	-	-4
	9 177	12 253

Cash and cash equivalents

The following subcomponents are included in cash and cash equivalents:

Cash and bank balances	54 845	31 657
Investments in securities	2 995	21 944
	57 840	53 601

The items above have been classified as cash and cash equivalents, based on the assumption that:

- There is no significant risk of fluctuations in value.
- They can be readily converted into cash.
- They have a maturity date of not more than 3 months from the date of acquisition.



Income Statement - Parent Company

Amounts in thousands of SEK	Note	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Operating income			
Net sales	1	239 830	127 243
Other operating income		283	125
		240 113	127 368
Operating expenses			
Other external expenses	2	-115 720	-45 236
Personnel expenses	3	-90 751	-60 770
Operating profit before depreciation		33 642	21 362
Depreciation/amortization of equipment and intangible assets		-5 793	-5 223
Operating profit		27 849	16 139
Profit from financial items			
Interest income and similar profit items	4	2 731	1 625
Interest expenses and similar expense items	5	-2 587	-5 939
Profit after financial items		27 993	11 825
Appropriations	6	-	6 655
Profits before tax		27 993	18 480
Tax on profit for the year	7	-8 490	-6 944
Net profit for the year		19 503	11 536

Balance Sheet - Parent Company

Amounts in thousands of SEK	Note	06-30-2008	06-30-2007
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditures for research development and similar	8	4 045	9 454
		4 045	9 454
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	9	2 636	453
		2 636	453
<i>Financial assets</i>			
Participations in Group companies	10	16 177	16 177
Participations in associated companies	11	-	50
		16 177	16 227
Total Non-current Assets		22 858	26 134
Current assets			
<i>Current receivables</i>			
Accounts receivable - trade		37 217	22 211
Receivables from Group companies		775	116
Other receivables		2 325	2 258
Prepaid expenses and accrued income	12	49 153	21 076
		89 470	45 661
<i>Investments in securities</i>	13	2 995	21 944
<i>Cash and bank balances</i>		51 944	29 398
Total current assets		144 409	97 003
TOTAL ASSETS		167 267	123 137



EQUITY AND LIABILITIES

Equity	14		
Restricted equity			
Share capital (2.140.940 shares)		2 141	2 082
New share issue in progress		-	4 744
Share premium reserve		-	22 175
Statutory reserve		22 375	200
		24 516	29 201
Non-restricted equity			
Share premium reserve		4 685	-
Profit brought forward		49 931	44 818
Profit for the year		19 503	11 536
		74 119	56 354
Total equity		98 635	85 555
Untaxed reserves			
Tax allocation reserves	16	6 419	6 419
		6 419	6 419
Current liabilities			
Accounts payable - trade		12 932	6 468
Liabilities to Group companies		593	219
Current tax liability		11 860	5 380
Other liabilities		1 881	1 451
Accrued expenses and deferred income	15	34 947	17 645
		62 213	31 163
TOTAL EQUITY AND LIABILITIES		167 267	123 137

Pledged Assets and Contingent Liabilities - Parent Company

		06-30-2008	06-30-2007
Pledged assets		None	None
Contingent liabilities	17	None	None

Cash Flow Statement - Parent Company

Amounts in thousands of SEK	06-30-2008	06-30-2007
<i>Operating activities</i>		
Profit after financial items	27 993	11 825
Adjustments for non-cash items	5 793	11 101
	33 786	22 926
Income tax paid	-2 010	4 156
Cash flow from operating activities before working capital changes	31 776	27 082
<i>Cash flow from working capital changes</i>		
Increase(-)/Decrease (+) in current receivables	-43 809	-15 685
Increase(+)/Decrease (-) in current liabilities	24 570	5 699
Cash flow from operating activities	12 537	17 096
<i>Investing activities</i>		
Acquisition of subsidiary	-	-15 895
Sale of associated company	50	-
Purchase of equipment	-2 567	-367
Purchase of intangible assets	-	-1 517
Sale of financial assets	-	2 866
Cash flow from investing activities	-2 517	-14 913
<i>Financing activities</i>		
New share issue	-	4 744
Redemption of warrants	-	-5 878
Dividend paid	-6 423	-4 163
Cash flow from financing activities	-6 423	-5 297
Cash flow for the year	3 597	-3 114
Cash and cash equivalents at the beginning of the year	51 342	54 456
Cash and cash equivalents at the end of the year	54 939	51 342



Supplementary Disclosures to the Cash Flow Statement - Parent Company

Adjustments for items not included in the cash flow

Redemption of warrants	-	5 878
Depreciation of equipment	384	154
Amortization of intangible assets	5 409	5 069
	5 793	11 101

Cash and cash equivalents

The following subcomponents are included in cash and cash equivalents:

Cash and bank balances	51 944	29 398
Investments in securities	2 995	21 944
	54 939	51 342

The items above have been classified as cash and cash equivalents, based on the assumption that:

- There is no significant risk of fluctuations in value.
- They can be readily converted into cash.
- They have a maturity date of not more than 3 months from the date of acquisition.

General Accounting Principles and Notes to the Financial Statements

Amounts are stated in thousands of SEK unless otherwise indicated.

General accounting principles

This Annual Report has been prepared in accordance with Årsredovisningslagen (the Swedish Annual Accounts Act) and general guidance issued by the Bokföringsnämnden (Swedish Accounting Standards Board).

Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Redovisningsrådet's (Swedish Financial Accounting Standards Council) Recommendation RR1:00.

Subsidiaries

Subsidiaries are companies in which the Parent Company either directly or indirectly owns more than 50% of the total number of votes, or in another way has a controlling influence over the operational and financial control of the enterprise. Subsidiaries are normally included in accordance with purchase accounting method. The purchase accounting method means that an acquisition of a subsidiary is to be considered as a transaction whereby the parent company indirectly acquires the assets of the subsidiary and assumes its liabilities. As of the acquisition date, the acquired company's income and expenses are included in the consolidated financial statements, as are identifiable assets and liabilities as well as any goodwill or negative goodwill.

Associated Companies

Stockholdings in associated companies, in which the Group has at least 20% and at most, 50% of the votes or in another way has a significant influence over the operational and financial management of the company, are ordinarily included according to the equity method. The equity method means that the consolidated book value of the shares in an associated company corresponds to the group's share of the associated company's stockholder equity and any residual value of the consolidated surplus value or consolidated negative value. In the consolidated income statement, the group's share of the associated company's profit/loss after financial income is reported as a share of the associated company's profit/loss and expenses are adjusted for any depreciation on or dissolution of the acquired surplus value or negative value. The group's proportional share of the associated company's taxes is included in the consolidated tax expenses. Any share of the profits received after the acquisition of an associated company which has been received as a dividend, is allocated to the equity method reserve, which constitutes a part of the consolidated restricted equity.

Joint venture

Joint ventures are, for the purposes of financial accounting, those companies for which the group via cooperation agreements with one or more parties share joint decision-making authority over the operational and financial control of the company. In the consolidated financial statements, holdings in joint ventures are consolidated according to the proportional method. According to the proportional method, the Group's share of the company's income and expenses the Group is entitled to, as well as its share of the assets and liabilities, are included in the consolidated income statement and balance sheet. This is done via that all of the joint venture's share of the assets and liabilities, and the income and expenses, are included together item by item with the corresponding items on the joint venture's consolidated financial statements.

Cinetics AB is since October 2006 a wholly owned subsidiary to Cinnober Financial Technology AB. Before the acquisition of the remaining 50% of the shares in Cinetics AB, the holding was included in accordance with the Proportional Method.

Currency translation of foreign subsidiaries

The current method is applied for currency translations in the income statement and the balance sheet in independent foreign enterprises. With enterprises, which have been integrated into the parent company, they are translated according to the monetary method.

The current method means that all assets, provisions and liabilities are translated to the rate of exchange at the close of the reporting period and that all items in the profit and loss statement are translated at the average exchange rate. Any gains/losses due to exchange rate differences are posted directly to net equity.

The monetary method means, in principle, that monetary assets and liabilities are translated to the rate of exchange at the close of the reporting period, while non-monetary items and corresponding items in the income statement are translated to investment rates of exchange. Other profit/loss items are translated at the weighted average rate of exchange during the accounting period. Any gains/losses due to exchange rate differences are included in the profit/loss for the year.

With the sale of independently operated foreign enterprises, this is credited to the enterprise to which the accumulated translation gains/losses relate to, after deduction for any currency hedging, in the consolidated income statement.



Information regarding the Group

From the parent company's total purchases and sales, as measured in SEK, 15% (8%) of the purchases and 1% (2.5%) of the sales is from other companies within the Group.

Valuation principles

Assets, provisions, and liabilities have been valued at the acquisition value, unless otherwise stated below.

Taxes

The company and the Group apply BFNAR 2001:1 Income taxes. Total tax is composed of current tax and deferred tax.

Taxes are included in the income statement except when the underlying transaction is recorded directly against equity whereupon the associated tax effects are included in equity. Current tax is tax, which is to be paid or to be received related to the present year. Adjustments of current tax relating to earlier periods are also included here. Deferred tax is calculated according to the balance sheet method, with the base being the temporary differences between the tax included in the balance sheet and the taxable values on assets and liabilities. The amounts are calculated based on how the temporary differences are expected to become evened out and with the application of the tax rates and tax rules, which are determined or advised, as of the closing date of the reporting period. Temporary differences are not taken into consideration in consolidated goodwill nor are the differences relating to shares in subsidiary and associated companies, which are not expected become taxed within the near future. For legal entities the disclosed untaxed reserves includes deferred tax obligations. In the consolidated financial statements, on the other hand, the untaxed reserves are divided up between deferred tax obligations and equity.

Deferred tax obligations in tax-deductible temporary differences and losses carried forward are only included where it is probable that these will result in lower tax payments in the future.

Revenue Recognition

Invoiced sales include sales of systems and related services.

Project Income

Cinnober applies the percentage-of-completion method to its technology sales, license and project revenues. Since Cinnober's products require a high degree of development, adjustment, and testing, to meet each customer's unique needs, the company assesses that the value of the license, which the customer acquires is first realized when the ready-to-operate system is delivered. Cinnober therefore allocates all income from a contract to the project.

In applying the percentage-of-completion method, income is recognized in line with the completion (development) of a project. An anticipated loss on a project is immediately treated as an expense. The fundamental premise of the percentage-of-completion method is that project revenue and expenditure can be accurately assessed and that the degree of development can be reliably established.

At Cinnober, the degree of development is established through the relationship between the hours that have been worked by closing date and the estimated number of project hours in total. The occasional project arises for which an accurate assessment of project revenue and expenditure cannot be made when the year-end accounts are prepared. In these cases, no profit is reported for the project. The percentage-of-completion method is applied as soon as possible. Income from support services is recognized on a continuous basis as services are rendered and over the contract period.

Transaction-based revenue

Part of the company's revenue is transaction-based. Transaction-based revenue is recognized in the quarter in which the transaction takes place.

Sales of Hardware

Revenue is recognized when the substantial risks and benefits associated with ownership of the hardware have been transferred to the buyer, and when revenue can be measured reliably.

Intangible assets

Expenses for research and development

Expenditures for research that has the objective to attain new scientific or technical knowledge are included as an expense when they are incurred.

Expenditures for development, where the results of the research or other knowledge are applied in order to achieve new or improved products or processes, are included as an asset in the balance sheet, if the product or process is technically and commercially usable and the company has sufficient resources to proceed with the development and thereafter to use or to sell the intangible asset. The reported value includes expenditures for materials, direct expenditures for salaries and indirect expenditures, which can be related to the asset in a reasonable and consistent way. Other expenditures for development are included in the profit and loss statement as an expense when they are incurred. Development costs are included in the balance sheet at their acquisition value less accumulated depreciation and write-downs.

Other intangible assets

Other intangible assets that have been acquired by the company are reported at their acquisition value less accumulated amortization and impairment. Expenditures for internally generated goodwill and trademarks are reported in the profit and loss statement as an expense when they are incurred.

Additional expenditures

Additional expenditures for an intangible asset are included at their acquisition value only if they increase the future economic advantages, which exceed the original assessment, and the expenditures can be calculated in a reliable manner. All other expenditures are expensed when they are incurred.

Amortization

Amortization according to plan is based on the original acquisition value decreased by the residual value. The amortization occurs using the straight-line method over the useful life of the asset and is recorded as an expense in the profit and loss statement.

The following amortization periods are utilized:

	Consolidated Group years	Parent Company years
Internally developed intangible assets	3	3
Acquired intangible assets	5	-

Equipment, tools, fixtures and fittings

Equipment is carried as assets in the balance sheet when it, based on available information, is probable that the future financial benefits that are associated with the ownership will accrue the Group/company and that the acquisition value for the asset can be calculated in a reliable manner.

Depreciation principles for equipment

Depreciation according to plan is based on the original acquisition value reduced by the estimated residual value. Depreciation occurs using the straight-line over the projected useful life of the asset.

The following depreciation periods are utilized:

	Consolidated Group years	Parent Company years
Tangible fixed assets:		
Equipment, tools and fixtures	5	5

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been translated to the exchange rate at the close of the reporting period in accordance with Redovisningsrådet's (Swedish Financial Accounting Standards Council) Recommendation RR 8, with exceptions for long-term monetary dealings between independent foreign enterprises; where in such case the acquisition value is used. Exchange rate gains/losses on current receivables and current liabilities are included in the operating profit/loss, while exchange rate gains/losses in financial receivables and liabilities are included among the financial items.

To the extent that receivables and liabilities in a foreign currency have been forward covered, they have been translated to the forward rate.



Notes

Note 1 Net sales

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Group		
Net income, sales of services	220 044	119 045
One-time pass-through invoicing	18 301	6 982
	238 345	126 027
Parent company		
Net income, sales of services	221 529	120 261
One-time /pass-through invoicing	18 301	6 982
	239 830	127 243

Note 2 Fees and expenses for auditors

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Group		
<i>Deloitte AB</i>		
Audit assignments	416	380
Other assignments	187	276
<i>Other auditors</i>		
Audit assignments	30	-
Total	633	656
Parent company		
<i>Deloitte AB</i>		
Audit assignments	416	230
Other assignments	187	276
Total	603	506

Audit assignment is defined as the audit of the annual financial statements, the administration of the Board of Directors and the CEO, other tasks resting upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing the audit work or implementation of such tasks. All other work is referred to as other assignments.

Note 3 Employees and payroll costs

Average number of employees	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Parent company		
Men	71	58
Women	25	21
Total in the parent company	96	79
Subsidiaries		
Men	11	3
Women	4	1
Total in subsidiaries	15	4
Group total	111	83

Gender distribution in boards and senior management

	06-30-2008 Percentage of women	06-30-2007 Percentage of women
Parent company		
Members of the Board of Directors	25	25
Senior management	12.5	-
Group		
Members of the Board of Directors	14	14
Senior management	12.5	-

Salaries, other remuneration, and social security contributions

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Parent company		
Board of Directors and CEO ¹⁾	2 887	2 125
Other employees	55 051	38 187
Total	57 938	40 312
Social insurance contributions (of which, pension contributions) ²⁾	26 982 8 020	18 347 4 978
Subsidiaries		
Board of Directors and CEO ³⁾	1 775	-
Other employees	8 653	4 064
Total	10 428	4 064
Social insurance contributions (of which, pension contributions)	3 254 892	579 -
Group		
Board of Directors and CEO	4 662	2 125
Other employees	63 704	42 251
Total	68 366	44 376
Social insurance contributions (of which, pension contributions) ⁴⁾	30 216 8 912	18 926 4 978

1) Of which bonus payments 400 (290 the previous year).

2) Of parent company's pension costs, 188 (224 the previous year) relates to the Board of Directors and CEO. The company's outstanding pension obligations to these individuals amounts to 0 (0 the previous year).

3) Of which bonus payments 262 (0 the previous year).

4) Of the Group's pension costs, 373 (224 the previous year) relates to the Board of Directors and CEO. The Group's outstanding pension obligations to these individuals amounts to 0 (0 the previous year).

Absence due to illness

	06-30-2008	06-30-2007
Total absence due to illness as a percentage of ordinary working hours	2%	1%
Percentage of the total absence due to illness which is related to consecutive days of absence due to illness for 60 days or more	16%	0%
Absence due to illness according to gender:		
Men	2%	0%
Women	1%	2%
Absence due to illness according to age categories:		
29 years old or younger	1%	1%
30-49 years old	2%	1%
50 years old or older	0%	1%

Note 4 Other interest income and similar profit items

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Group		
Interest income	1 740	1 031
Capital gains	1 052	170
Currency exchange rate gains	-	618
	2 792	1 819
Parent company		
Interest income	1 679	1 007
Capital gains	1 052	170
Currency exchange rate gains	-	448
	2 731	1 625

Note 5 Interest expenses and similar expense items

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Group		
Interest expenses	33	61
Currency exchange rate losses	2 499	-
Financial expense, redemption of warrants issued to personnel	-	5 878
	2 532	5 939
Parent company		
Interest expenses	9	61
Currency exchange rate losses	2 578	-
Financial expense, redemption of warrants issued to personnel	-	5 878
	2 587	5 939

Note 6 Appropriations (Parent Company)

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Tax allocation reserves, reversals	-	6 655
Total	-	6 655



Note 7 Tax on profit for the year

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Group		
Current tax	8 588	7 010
Deferred tax	-976	-2 783
Total	7 612	4 227
Parent company		
Current tax	8 490	6 944
Total	8 490	6 944

The difference between current tax and the calculated tax based on the applicable tax rate consists of the following components:

	07-01-2007- 06-30-2008	07-01-2006- 06-30-2007
Group		
Reported profit before taxes	24 931	9 407
Tax according to applicable tax rate, 28 %	6 981	2 634
Tax effect on non-deductible expenses	651	1 719
Tax effect of non-taxable income	-4	-53
Effect of other tax rates for foreign subsidiaries	2	-73
Use of previously uncapitalized tax losses	-18	-
Reported tax expense	7 612	4 227
Parent company		
Reported profit before taxes	27 993	18 480
Tax according to applicable tax rate, 28 %	7 838	5 174
Tax effect on non-deductible expenses	656	1 823
Tax effect of non-taxable income	-4	-53
Reported tax expense	8 490	6 944

Note 8 Capitalized expenditures for development and similar

	06-30-2008	06-30-2007
Group		
<i>Accumulated cost:</i>		
- Opening balance	34 721	17 209
- New purchases	-	1 517
- Intangible asset Cinetics/Ctrade *	-	15 995
	34 721	34 721
<i>Accumulated amortization:</i>		
- Opening balance	-10 898	-4 203
- Amortization for the year	-	-1 626
- Intangible asset Cinetics/Ctrade *	-8 790	-5 069
Accumulated amortization according to plan	-19 688	-10 898
Carrying amount at year-end	15 033	23 823

Parent company

<i>Accumulated cost:</i>		
- Opening balance	18 726	17 209
- New purchases	-	1 517
	18 726	18 726
<i>Accumulated amortization:</i>		
- Opening balance	-9 272	-4 203
- Amortization for the year	-5 409	-5 069
Accumulated amortization according to plan	-14 681	-9 272
Carrying amount at year-end	4 045	9 454

* In connection with the acquisition of the remaining 50% of the associated company Cinetics AB, a goodwill item arose which during the year 2006/2007 was reclassified as an intangible asset.

Note 9 Equipment

	06-30-2008	06-30-2007
Group		
<i>Accumulated cost:</i>		
- Opening balance	1 425	1 058
- New purchases	2 606	367
- Disposals	-734	-
	3 297	1 425
<i>Accumulated depreciation according to plan:</i>		
- Opening balance	-972	-818
- Depreciation for the year	-387	-154
- Disposals	734	-
Accumulated depreciation according to plan	-625	-972
Carrying amount at year-end	2 672	453
Parent company		
<i>Accumulated cost:</i>		
- Opening balance	1 425	1 058
- New purchases	2 567	367
- Disposals	-734	-
	3 258	1 425
<i>Accumulated depreciation according to plan:</i>		
- Opening balance	-972	-818
- Depreciation for the year	-384	-154
- Disposals	734	-
Accumulated depreciation according to plan	-622	-972
Closing residual value according to plan	2 636	453
<i>Financial leasing agreements on equipment are included in the following amounts</i>	None	None

Note 10 Shares in Group Companies (Parent Company)

	06-30-2008	06-30-2007
<i>Accumulated acquisition value:</i>		
- Opening balance	16 177	337
- Acquisitions	-	15 895
- Reclassification of stock capital	-	-55
Carrying amount at year-end	16 177	16 177

Specification of the parent company's holdings of shares and participatory interests in group companies

The percentage owned of the total number of shares outstanding is shown, which also corresponds to the percentage share of the total number of votes.

Subsidiary / Org. no. / Domicile	Number of shares	in %	Book value
Cinnober Products AB, 556642-0310, Stockholm	100 000	100	100
Cinetics AB, 556676-2554, Stockholm	1 000	100	15 895
Cinnober Americas Inc., New York, USA	8	100	182
Cinnober UK Limited, 6509090, London, UK	1	100	-
			16 177

Note 11 Participations in associated companies

	Group	Parent company
<i>Accumulated acquisition value:</i>		
- At the beginning of the year	54	50
- Adjustment due to change in accounting principles	-54	-50
Carrying amount at year-end	-	-

The former associated company Börsspelet Svenska AB was sold in January 2008.

Note 12 Prepaid expenses and accrued income

	06-30-2008	06-30-2007
Group		
Accrued project income	47 952	21 965
Prepaid rental payments	1 992	873
Accrued interest income	1 151	456
Other items	175	203
	51 270	23 497
Parent company		
Accrued project income	45 880	19 561
Prepaid rental payments	1 992	873
Accrued interest income	1 106	456
Other items	175	186
	49 153	21 076

Note 13 Investments in securities

Specification of securities	Carrying amount	Market value or similar
Group		
Tanglin, fund units	2 995	3 020
	2 995	3 020
Parent company		
Tanglin, fund units	2 995	3 020
	2 995	3 020

Note 14 Equity

	Share capital	Restricted reserves	Non-restricted equity
Group			
Opening balance	2 082	31 693	55 699
New capital issue	59	-59	
Re-classification of share premium reserve		-4 685	4 685
Dividend			-6 423
Net profit for the year			17 319
Currency exchange rate gain/loss for the year		-27	-45
At year-end	2 141	26 922	71 235

	Share capital	Statutory reserve	Share premium reserves (restricted)	Non-restricted equity
Parent company				
Opening balance	2 082	200	26 919	56 354
New capital issue	59		-59	
Re-classification of share premium reserve		22 175	-26 860	4 685
Dividend				-6 423
Net profit for the year				19 503
At year-end	2 141	22 375	-	74 119

The company's share capital consists of 570 000 series A shares with 10 votes per share and 1 570 940 series B shares with one vote per share.

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.



Note 15 Accrued expenses and deferred income

Stockholm, September 9, 2008

	06-30-2008	06-30-2007
Group		
Accrued personnel expenses	26 874	15 059
Deferred income	6 837	2 584
Other items	1 489	593
	35 200	18 236
Parent company		
Accrued personnel expenses	26 699	15 059
Deferred income	6 837	2 584
Other items	1 411	2
	34 947	17 645

Gunnar Lindell
Chairman of the Board

Jan Arpi
CEO

Nils-Robert Persson

Helena Westin

Stefan Widenfelt

Note 16 Tax allocation reserves

	06-30-2008	06-30-2007
Tax allocation reserves, provision for 2005 tax assessment	4 284	4 284
Tax allocation reserves, provision for 2007 tax assessment	2 135	2 135
	6 419	6 419

Our auditor's report has been submitted on September 10, 2008
Deloitte AB

Note 17 Contingent Liabilities

Litigation

During 2007 the company filed a lawsuit against an external company, a previous employee, and a previously retained consultant for misuse of trade secrets as well as infringement of intellectual property rights. A settlement was reached in January 2008. The settlement has not resulted in any negative effects on the company's result.

Svante Forsberg
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of Cinnober
Financial Technology AB
Corporate identity number 556548-9654

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Cinnober Financial Technology AB for the financial year 2007-07-01--2008-06-30. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion

concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 10 September 2008
Deloitte AB

Svante Forsberg
Authorized Public Accountant



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