

# Annual report 10/11

Cinnober Financial Technology AB  
July 1, 2010 – June 30, 2011  
Corporate identity number 556548-9654



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## Annual General Meeting

### Time

The Annual General Meeting of shareholders in Cinnober Financial Technology AB (publ), corporate identity number 556548-9654, will be held on October 24, 2011, at 5.30 pm.

### Location

Cinnober Financial Technology AB,  
Kungsgatan 36, Stockholm

### The Right to Participate

To have voting rights at the AGM, the shareholder must be registered in the share register on October 18, 2011.

### Registration in the share register

To have the right to participate in the AGM, the stockholder must be registered in the share register that is maintained by Euroclear Sweden AB (formerly VPC AB).

Nominee shareholders who want to participate must therefore temporarily register the shares in their own names. Registration must be completed no later than October 18, 2011, which means that shareholders must notify the nominee in good time before that date.

## Financial Calendar

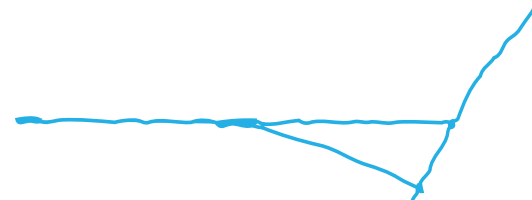
Interim report for July 1 - September 30, 2011  
October 27, 2011.

Interim report for July 1 - December 31, 2011  
January 26, 2012.

Interim report for July 1 - March 31, 2012  
April 26, 2012.

Cinnober's financial information is published in Swedish and English. Interim and annual reports are available at [www.cinnober.com/financial-reports](http://www.cinnober.com/financial-reports).

*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.*



# Cinnober at a glance

*At Cinnober Financial Technology, we see major opportunities in the continuously changing financial market. Our task is to help financial actors, such as trading and clearing venues, to respond to new market opportunities by implementing innovative changes and to thereby gain new positions faster than their competitors.*

## Customers

Cinnober powers mission-critical solutions at leading trading venues around the world, including both innovative incumbents and ground-breaking new enterprises. Customers today include several leading stock markets and players in major financial centers such as Chicago, Frankfurt, Hong Kong, London, New York and Toronto.

## Four cornerstones of our success

Through our successful projects and installations, Cinnober has been profitable ever since its inception in 1998. This success is based on four cornerstones:

- Mastery of financial markets and the business logic of trading and clearing.
- Advanced financial technology to meet extreme demands on business functionality, high throughput and low latency.
- Our commitment, flexibility and agility mean we always deliver on time, on plan and on budget.
- Proudly independent of financial actors, software suppliers and different technical platforms – we focus purely on mission-critical system solutions for our niche target group.

## Technology leadership

Our home turf is financial technology and the business logic of trading and clearing. We offer leading solutions for price discovery, order matching, market data, clearing, settlement and market surveillance.

The latest addition to our product range is TRADExpress™ Ultra, which targets marketplaces that compete using extremely low latency. Ultra currently offers latency equivalent to just a tenth of that offered by competing solutions.

## A knowledge company built on passion for technology

Cinnober now employs about 170 passionately engaged people, many of us also partners. Most have a background in marketplaces and financial information technology, with an average of over ten years of experience.

During our expansion in recent years, our professional ranks have been filled with new graduates as well as seasoned veterans.



# A word from the CEO

**THE PACE OF CHANGE IN THE** international financial markets remains high. New opportunities are constantly opening and closing for innovative marketplaces and clearing institutions.

Like many other IT companies, Cinnober enters and exits fluctuations in the general economic cycle relatively late. Following a somewhat dry period in the backwash of the Lehman crash, the level of Cinnober's customer inquiries, pilot studies and new business has begun to rise markedly.

As I write this, the international financial markets are being impacted by a debt crisis, making market conditions somewhat difficult to assess. However, Cinnober's current order status is highly favorable and we therefore view the coming year with confidence. Our offerings afford us a strong standing with a number of exciting opportunities in several growth markets and we look forward to further advancing our positions.

New regulations, such as MiFID II in Europe and Dodd-Frank in the US, continue to take shape. Demands are being made that certain aspects of OTC trading in derivatives be transferred to more regulated market formats with associated clearing operations. Systems will need to be adapted to meet new requirements, while a number of marketplaces will be further developed or launched to cover the new trading and clearing needs associated with numerous instruments, including securities, derivatives, OTC instruments, government bonds, etc. This provides strong motivation for the continuing evolution that we can see in the market and that is focused on marketplace competitiveness, efficiency, transparency and risk management.

On the whole, this offers Cinnober a wealth of attractive new opportunities. We hold a strong position in the market, with a market-leading product portfolio that addresses the entire transaction chain of marketplaces and clearing venues.

## **A competitive offering**

New regulations are expected to affect the very core of the financial sector. We are seeing strongly increasing interest in Cinnober's offerings in clearing and risk management. Over the year, we have conducted a number of design studies, produced prototypes and even received orders for system deliveries in clearing and risk management for the 2011/2012 financial year.

In June 2011, we launched TRADExpress™ Ultra – a world-leading offering for marketplaces for highly liquid securities where extremely low latency is a major competitive advantage. Our customers are now being afforded unique flexibility in being able to select their own specific balance between low latency and sophisticated functionality. Ultra

offers latency under ten microseconds (<10 μs) – with full redundancy and without the need for specially developed hardware, which has a significant effect on the customer's total cost of ownership.

For new and smaller marketplaces that may have limited opportunities for major capital investments in system solutions and licenses, we offer our leading technology through TESS – TRADExpress Streamlined Services. This is a service in which the customer leases technology from us and pays on the basis of usage. The new alternative Spanish marketplace PAVE recently selected TESS as its platform solution for its planned drive to compete with the dominant Bolsa de Madrid. We are discussing TESS with a number of prospects and are strongly confident in this service offering.

We are also seeing extensive interest in our market surveillance offering. In early 2011, one of the world's most renowned exchange groups, Deutsche Börse Group, selected Scila Surveillance for its future market surveillance operations. Thus the growing list of Scila users now includes the Frankfurt Exchange and its Xetra system, which serves about 90% of the German stock market and Eurex, one of the world's largest derivatives markets.

## **Broadened geographic reach**

Our sales and marketing activities have also borne fruit in new geographic markets. In the early summer of 2011, we signed contracts with Stock Exchange of Thailand (SET) for the replacement of its existing system solutions for trading platforms, market surveillance and the dissemination of market data. We won this prestigious order following the customer's extensive and in-depth assessment process involving all of our principal competitors. This deal confirms Cinnober's entrance into the rapidly growing Asian markets. SET's plan is to introduce share trading functionality in 2012 and derivatives trading in 2013.

Qatar Exchange is the latest of the exchanges to have selected Scila Surveillance for its surveillance of share trading. This represents Cinnober's first order in the Middle East, with installation scheduled for completion in the third quarter of 2011.

In June 2011, contracts were signed with an Asian clearing house regarding delivery of TRADExpress RealTime Clearing. The delivery project is scheduled to commence in October 2011.

Over the year, we have also introduced Cinnober to potential customers in other growth markets in regions including South America and Eastern Europe. In several cases, we have also provided design studies to these customers and are actively discussing system deliveries.

### Hard facts on softer values

Cinnober's foremost strength consists of the some 170 people who make up our organization. A key parameter is the international market in which we operate and our team currently includes people of more than 20 different nationalities. Over the year, we have recruited 22 people and we continue to attract some of the best people from the business community and directly from university.

Cinnober's objective to be the best possible workplace is one of our success factors. In April 2011, we achieved a respectable fifth place in the Great Place to Work competition among medium-sized Swedish companies – the very first time we participated. This ranking of Sweden's best workplaces is based on an external review and an extensive employee survey. The award is also an important factor in our market communications and has attracted considerable attention among our customers.

### Ready to shift up a gear

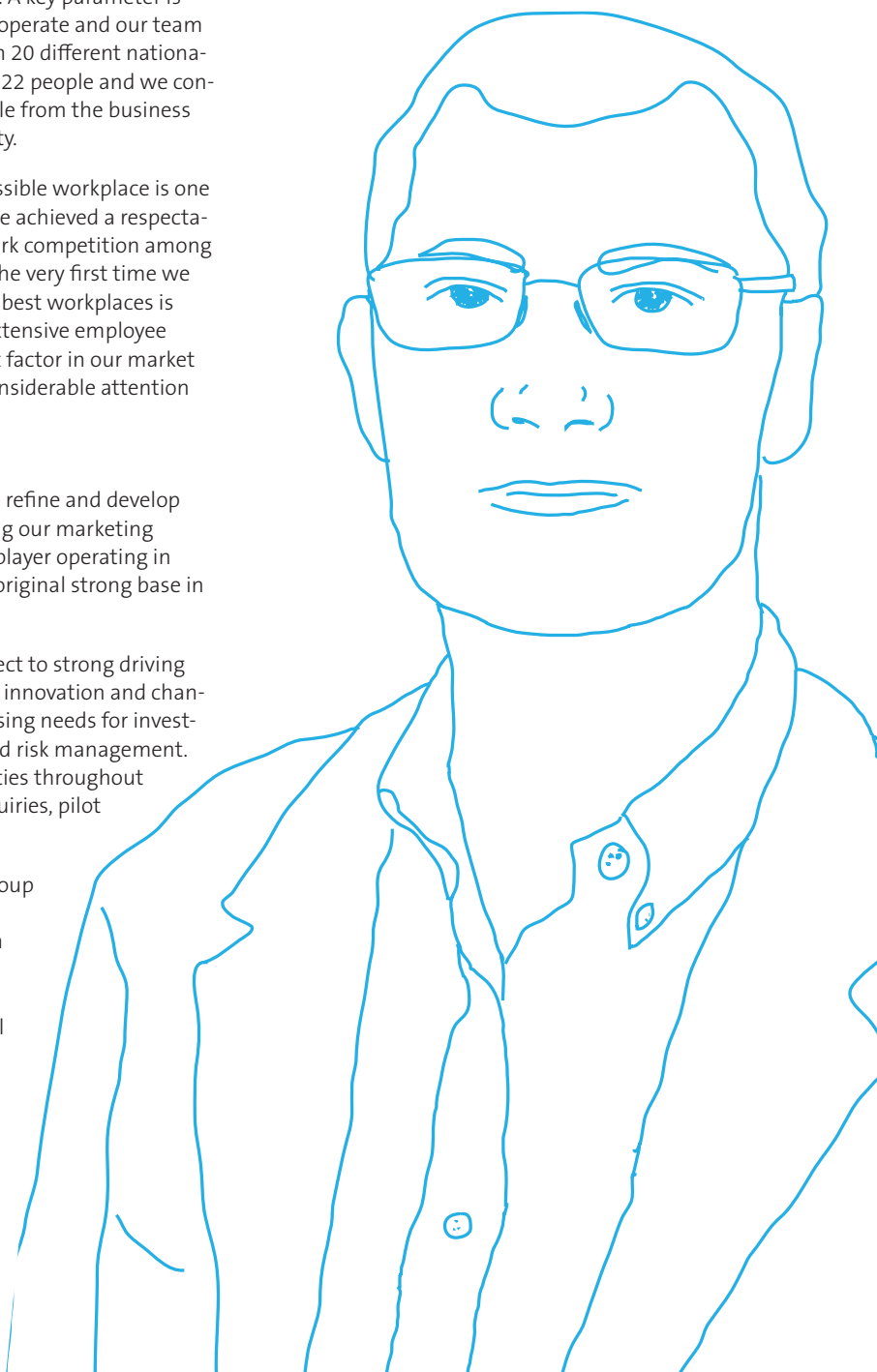
In summary, recent years have seen us refine and develop our product portfolio, while broadening our marketing geographically. Today, we are a global player operating in markets and regions well beyond our original strong base in Western Europe and North America.

We work in a changeable market subject to strong driving forces such as increasing competition, innovation and changing regulations. This results in increasing needs for investment in trading platforms, clearing and risk management. We perceive strong growth opportunities throughout the world in the form of customer inquiries, pilot projects and new orders.

Large parts of our sector and target group have participated keenly in a feverish process of consolidation that has been termed "merger mania". Some parts of our industry are consolidating and becoming larger, like ocean liners or oil tankers. But from our vantage point, we know that there are increasing business opportunities for a smaller, flexible racing boat such as Cinnober.

Jan Arpi

September 2011



# Our customers

## Every customer is a partner

Ever since its inception, Cinnober has chosen to operate in a narrow market niche with large, demanding customers with extreme requirements for system performance and reliability. Over the years, being flexible with our customers while taking care to treat one another as long-term partners with shared goals for outstanding performance has proven to be a successful formula.

Taking a long-term approach to both our sales processes and customer relations plays a key role. Sales processes can take as long as 36 months and our relationships with customers continue for decades. Long-term customer relationships must be based on trust, transparency and shared knowledge. Our approach has proven to result in a high level of internal and customer commitment. This enables everyone on the project to capture ideas and changes that can surface at any moment along the way.

Many customers choose to start with a Cinnober Design Study, which is an effective way to start a complex trading or clearing system project. A design study is a short, intensive collaboration in which a thorough analysis of the customer's requirements is conducted. The objective is to set a fixed cost and timescale for the development and implementation of a new system solution. A design study also can identify important issues that might not otherwise have been evident to the customer. At the end of the design study there is a common understanding between the customer and Cinnober regarding what needs to be done, by whom and where complications in the project might arise. A design study is usually part of the pre-project phase and may take 1-2 months.

*Taking a long-term approach to both our sales processes and customer relations plays a key role.*

When customers have specific requirements, we must sometimes prove ourselves capable of meeting these by developing certain functionality at an early phase. In connection with this, we offer Cinnober Proof of Concept, which entails a lower investment risk for the customer. Proof of concept normally takes 1-2 months.

The Cinnober organization is built around large-scale mission-critical projects, requiring specialist expertise, flexibility and focus. So we use a software development methodology that prioritizes agility, transparency and close customer contact. In development circles, this methodology is known as Scrum and entails us delivering functionality to the customer on a rapid and ongoing basis. Consequently, we gain fast feedback on deliveries and where necessary can redirect remaining development efforts in close dialogue with the customer.

This strengthens our company culture, which is based on openness and transparency, matched with a reliance on the collective knowledge of everyone in our organization. Cinnober has been able to maintain the feeling of a small company where employees share responsibilities, goals and results. Our flat and decentralized organization also ensures a close and straightforward dialogue with our customers, with many of our employees being involved on a daily basis.

During the year, we have had an external party conduct a penetrating customer satisfaction survey involving in-depth interviews with key individuals at all major customer companies. The conclusion reflected a highly favorable response. We are proud to be able to continue to say that "all of our customers are reference customers", although we do naturally take note of various nuances and potential for improvement in areas such as proactivity and issues of account management.



## Increasingly broad geographic focus

Cinnober develops and delivers system solutions for exchanges and alternative trading platforms the world over. What our customers have in common often involves extreme demands on functionality, operational reliability and performance in the form of complex order types and latency.

### Alpha Trading Systems (Alpha)

An alternative marketplace for equities trading in Canada that has won over considerable market shares from the primary market. Cinnober supplies Alpha's high performance, low latency trading platform, and a number of innovative order management solutions.

### Borsa Italiana

The Italian stock exchange, now part of the London Stock Exchange Group, manages several national equities and derivatives markets. Cinnober supplies the DDM Plus market data system, which efficiently disseminates information from all of Borsa Italiana's marketplaces.

### Burgundy

Bank-owned challenger in the Nordic securities market. The offering is based on cost-effective trading and Cinnober supplies a turnkey solution including system operation and market surveillance.

### Chicago Board Options Exchange (CBOE)

Pioneer in listed options and currently the world's largest marketplace for these instruments. Cinnober supplies CFLEX, an easy-to-use Internet-based trading system managing electronic trading in FLEX Options.

### Deutsche Börse / Eurex

Deutsche Börse Group is a giant among the international exchanges and very seldom makes use of external suppliers. In 2011, however, it announced the selection of Scila Surveillance as its new market surveillance system for the major German equities market (Xetra) and one of the world's largest derivatives markets (Eurex).

### Hong Kong Mercantile Exchange (HKMEx)

The Hong Kong Mercantile Exchange launched its new marketplace in the spring of 2011 with the ambition of acting as a bridge between China and international commodities markets. Cinnober supplies the Pearl and Pearl Pro trading platforms and Scila Surveillance for market supervision.

### London Metal Exchange (LME)

The London Metal Exchange is one of the world's oldest and most reputable commodities exchanges. It offers futures and options contracts for various commodities, such as copper, zinc and steel, but also non-metal commodities such as plastics. Cinnober is the supplier behind the exchange's electronic trading platform LMEselect, which currently accounts for more than 70% of the volumes traded.

### Markit BOAT

According to an EU directive, all equities trading through OTC transactions shall be reported and published to enhance transparency. Cinnober supplies the system solution, including operation and maintenance, behind Markit BOAT, whose customers report more than 20% of total European equities trading through such services.

### NYSE Liffe

Cinnober supplies the Bclear and Cscreen systems that combined form NYSE Liffe's OTC offering and is responsible for operating Cscreen. Cscreen is used by banks and inter-dealer brokers to discover and negotiate prices for possible transactions on the OTC market. The award-winning Bclear service combines much of the flexibility of the OTC market with many of the benefits of an exchange and clearing house environment, including clearing of concluded transactions.

### Qatar Exchange

Cinnober's first order in the Middle East involves the delivery of a market surveillance system to one of the region's most aggressive exchanges. The installation is scheduled to go live in the third quarter of 2011.

### Quadrivers

Quadrivers offers a customized and centralized platform for securities loans based on Cinnober's TRADExpress™ Trading System. Through its cooperation with The Options Clearing Corporation, AQS has created the world's first centrally-cleared marketplace for securities lending transactions.

### Stock Exchange of Thailand (SET)

Following an evaluation process involving all system suppliers with international operations, the Stock Exchange of Thailand selected Cinnober as its technology partner when replacing its entire infrastructure for order matching, data distribution and market surveillance for both its equities and derivatives trading. The new systems will start to go live in 2012 for equities, and 2013 for derivatives.

### Turquoise Derivatives

Previously known as EDX London and part of the London Stock Exchange (LSE), Turquoise provides futures and options trading in a range of international markets across equity, index and fixed income asset classes. Turquoise uses Scila Surveillance for market surveillance.

# Our offer – The platform

## Competitive advantage based on independent technology

The foundation of our offering is our TRADExpress™ platform, developed entirely in-house. We have been able to use this to establish ourselves as a strong supplier of powerful, sophisticated and highly reliable system solutions. The platform enables us to minimize lead times between ordering and delivery while allowing customers to adjust their requirement specifications during the progress of the project, which is often essential in achieving favorable results in far-reaching and complex projects. We are able to present a very solid reference list of mission-critical system solutions based on TRADExpress, delivered on time, on budget and in accordance with the customer's specifications, and this is a significant asset in our sales work.

Cinnober's platform offering represents an independent and flexible technology. This is an important component

in today's changing world and allows our solutions to be adjusted quickly to changing market requirements.

Our philosophy is not simply to wait for customers to specify their requirements – instead, we also seek to anticipate future needs and requirements. The Cscreen OTC trading service (later sold to NYSE Liffe) and offerings such as TRADExpress RealTime Clearing and Scila Surveillance are good examples of truly cutting edge solutions that we initiated without waiting for customer orders.

Moreover, our offering comes with a low total cost of ownership thanks to aspects including the platform's flexible architecture and efficient code development methods. Our solutions require considerably fewer servers than competing systems, entailing lower costs to the customer over a five-year period when all investments are included.

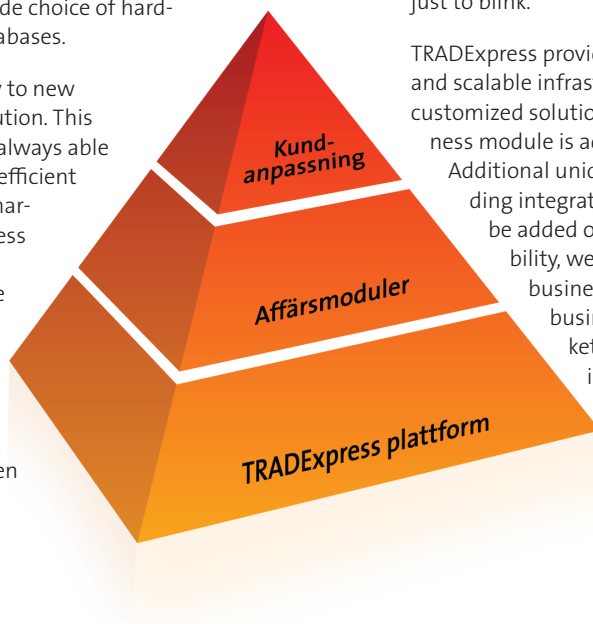
## Fast and agile with TRADExpress™

With the TRADExpress™ Platform as its backbone, Cinnober's offering has a layered architecture. The Java-based platform runs on a wide choice of hardware, operating systems and databases.

We are thus able to adapt quickly to new technological advances and evolution. This means, for example, that we are always able to use the fastest and most cost-efficient hardware and databases in the market. It is the flexibility and openness of the platform that allows our system solutions to offer extreme performance in terms of low latency, high throughput and scalability. Latency in the recently launched TRADExpress Ultra reaches levels under 10 microseconds, that is, less than ten

millionths of a second. In comparison, it is often said that humans need a whole thousandth of a second just to blink.

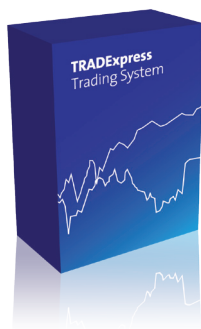
TRADExpress provides a robust, fully redundant and scalable infrastructure, enabling high-content, customized solutions. The logic of each specific business module is added on top of the platform layer. Additional unique customer adaptations – including integration with proprietary code – can be added on top of that. Given this flexibility, we can apply our technology and business knowledge to support unique business models in any financial marketplace and in all types of financial instruments using one and the same platform. An area where we consider ourselves unique suppliers within our sector.



# Our offer – Business modules

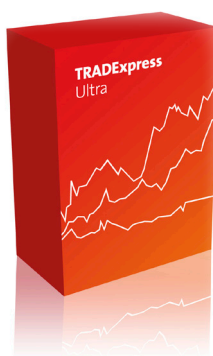
## Packaged system solutions

Based on our powerful and flexible technology, as well as many years of experience in building different types of systems, we are able to offer solutions that meet all significant considerations in building secure and efficient marketplaces: price discovery, order matching, market data, clearing, risk management and market surveillance. All packaged system solutions can be adapted to specific customer requirements.



### TRADExpress™ Trading System

A system for electronic securities trading that, with its speed and capacity for handling very large transaction volumes, meets the needs of the most demanding marketplaces. The TRADExpress Trading System includes a wealth of sophisticated functions and offers extensive opportunities for customization. This multi-asset platform has proven itself in trading with asset classes as diverse as equities, derivatives, fixed income products and stock lending.



### TRADExpress™ Ultra

A trading system for those marketplaces that mainly compete with extremely low latency for High Frequency Traders (HFTs). This represents a growing group of customers in well-developed and fragmented markets, such as the European and American stock markets. Thanks to a number of research advances, a highly efficient system, with world-beating latency, has been developed offering complete functionality suitable for a liquid market.



### TRADExpress™ RealTime Clearing

A comprehensive clearing solution that offers risk management in true real time. This minimizes risk by allowing discrepancies between the assets pledged and trade exposure to be discovered and remedied immediately. Risk calculations can be carried out before, during or after the basic transaction, regardless of the asset class being traded. The solution offers bilateral as well as multilateral clearing abilities, capacity to swiftly implement new instruments and enables multiple risk algorithms in parallel.



### TRADExpress™ Information Manager

A flexible market data dissemination solution with the capacity to mediate and refine data on multiple asset classes (including equities, derivatives, fixed income products and certificates), as well as market and index information. Subscribers within the financial community can subscribe to various levels of market depth, statistics and calculations.



### Scila Surveillance

A turnkey surveillance system offering financial markets, regulators and market participants a seamless route from the detection of market abuse to presentable evidence. The solution has achieved considerable success thanks to its flexibility, capacity to deal with different instruments, user-friendliness, short implementation time and its use of standard open technologies, resulting in low overall costs for customers.

# Our offer – Services

## Managed services

In the financial sector, a strong IT partner needs to deliver more than just robust technology. It is also essential to ensure a smooth launch through well-functioning processes for implementation and operation – as well as providing a flexible method for the management of continued development based on changing market requirements and the development of the customer's business.

Certain customers have firmly established internal organizations for system operations that, from time to time, must cope with heavy workloads and thus lack opportunities to initiate new projects. New marketplaces may start out

without an IT department at all, and with very few resources in place. Cinnober therefore offers complete system hosting and operational services, from dimensioning, through installation, to ongoing operation and systems monitoring.

All Cinnober solutions can be ordered with the customer's chosen level of management services including infrastructure, hardware, network and system management and operation. In connection with such assignments, we also provide performance reports monitoring trends in hardware and network usage, as well as analyses anticipating future needs for upgrading system capacity.

## Software as a Service

In recent years, Cinnober has recognized a need for a more standard service offer, allowing exchange technology to be implemented even more rapidly and with lower initial investment. One that could easily meet the requirements of entrepreneurs with attractive concepts and ventures in new markets. Among certain more established players, there is also a need to upgrade and modernize existing trading platforms without major infrastructure investments and extensive customized development.

Our response to this is TESS™, TRADExpress Streamlined Services, which provides almost immediate access to a complete exchange solution for new or established marketplaces on

a subscription basis. Based on our proven technology and experience, TESS offers a globally accessible and efficient platform and modern market surveillance for a number of asset categories.

The pricing structure is based on usage and customers pay only for what they need in terms of pre-defined functions. Put simply, TESS lets them lease the technology they need, avoiding large outlays for technology investments and allowing them to focus on building up their markets. At the same time, it provides immediate access to leading-edge exchange technology that has already been proven at major trading venues.



# Our employees

## Challenges and motivation

Cinnober employees are challenged daily by working with some of the financial sector's largest and most demanding international customers.

Our organization has a strongly international flavor with more than 20 nationalities represented on our team of skilled employees, whose efforts develop and enhance the efficiency of marketplaces that play a central role in their respective communities.

Our employees' specialist skills, experience and motivation are essential prerequisites for our business. It goes without saying that we must actively address issues affecting our work climate, the recruiting and retention of high-caliber people and offering continual opportunities for employees to develop their expertise.

Cinnober shall be the employer of choice both for the market's best qualified staff and for younger staff who join us straight from university. Most of our employees have a university education and many have a great deal of experience working with both financial technology and exchange and clearing operations.

For several years now we have been offering internships, in which outstanding students are able to combine their final

year of their studies with part-time work at Cinnober. This has further improved our opportunities to recruit skilled and motivated staff straight from university.

Cinnober is a flexible and dynamic organization, with a high level of transparency. Most of us work in projects conducted in close collaboration with customers according to agile project methods and, as an organization, we apply a broad distribution of responsibilities with short decision-making paths.

We are a knowledge-based company and offering an attractive workplace is one of our foremost success factors. During the year, we participated for the first time in Great Place to Work's annual assessment of Sweden's best workplaces. Following both an external review and an employee survey, in April 2011, we were awarded a very respectable fifth place among medium-sized Swedish companies – an accolade that has been highly appreciated both internally as well as among our customers.

For the 22 recruitments made over the past year, the strategy has been to ensure our development and expertise by employing both people with considerable relevant experience, as well as graduate engineers. The Group had 168 employees at the end of the financial year.



# Share data

## Share data

As per June 30, 2011, the company's capital stock consisted of 570,000 series A shares and 1,613,040 series B shares. The total number of shares was 2,183,040.

Since 2005 Cinnober has been listed on Alternativa Aktiemarknaden (The Alternative Stock Market), where the company's shares are traded every six months. In the latest trading period in June 2011, Cinnober shares were valued at SEK 160 each, and 7,050 shares were traded. Trading during

the 2011/2012 financial year is planned to be conducted in December 2011 and June 2012.

In October 2010, pending approval by the Annual General Meeting, the company issued 200,000 share warrants aimed at employees, with each warrant entitling subscription for one series B share in the company. This program will run between 2010 and 2013. In December 2010, the company received payment for warrant premiums totaling SEK 0.4 million. If fully exercised, the program will entail a dilution effect of 8.4%.

## Shareholder structure

The largest shareholders in Cinnober, listed with percentage of voting rights and equity, as of June 30, 2011 were:

Shareholder	Number of shares		Votes %	Capital %
	A	B		
Gunnar Lindell*	150,667	133,191	22.42	13.00
Peter Lenti*	125,667	3,500	17.23	5.92
Gunnar Mjöberg*	113,000	21,550	15.75	6.16
Pär Bertilsson*	95,666	5,766	13.16	4.65
Peter Snellman*	50,000	61,625	7.68	5.11
Nils-Robert Persson*	0	427,865	5.85	19.60
Swedia Capital AB	0	319,403	4.37	14.63
Lennart Börjesson	30,000	7,812	4.21	1.73

\* Including family and/or privately held company holdings



# Board of Directors, Auditor and Senior Management

## Board of Directors



**Nils-Robert Persson,**  
Chairman of the Board, born 1956  
Shareholdings: With family and privately held companies 427,865 series B shares  
Options: -  
Occupation: Employee of Cinnober Financial Technology AB  
Other assignments: Chairman of the Board of Triona AB and Board Member of Zaramant Fonder AB.



**Peter Lenti,**  
Board Member, born 1957  
Shareholdings: With family 125,667 series A shares, 3,500 series B shares  
Options: -  
Occupation: Employee of Cinnober Financial Technology AB  
Other assignments: -



**Helena Westin,**  
Board Member, born 1961  
Shareholdings: 100 series B shares  
Options: 3,250  
Occupation: Partner in Tre Kronor Media & Reklam  
Other assignments: -



**Stefan Widenfelt,**  
Board Member, born 1959  
Shareholdings: 5,000 series B shares  
Options: -  
Occupation: Partner in von Euler & Partners AB  
Other assignments: Board Member of von Euler & Partners AB and Opus Capita Oy.

## Senior Management

**Jan Arpi**  
born 1963, CEO

**Martin Adelsköld**  
born 1975, Head of Support & Operations

**Fredrik Backlund**  
born 1971, Head of Marketing

**Anna Märta Göransson**  
born 1975, CFO

**Per-Anders Häll-Bedman**  
born 1961, Deputy CEO

**Christina Jacobsson**  
born 1962, Head of Human Resources

**Peter Kazinczy**  
born 1959, Head of Sales

**Peter Lenti**  
born 1957, CTO, Head of Products

**Hans Öberg**  
born 1962, Head of Customization

## Auditor

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

# Management report

*The Board of Directors and the Chief Executive Officer of Cinnober Financial Technology AB (publ), with registered offices in Stockholm and corporate identity number 556548-9654, hereby submit the annual report for the financial year 2010/2011 for the Parent Company and the Group. Details of the financial result for the year, as well as the Parent Company and Group's position, are given in the management report and in the following income statements and balance sheets, cash flow statements, specifications of changes in equity and the supplementary information and notes, which together make up the annual report.*

Cinnober is an IT company that develops system solutions for exchange trading, clearing, risk management and other financial services. The target group consists primarily of marketplaces and clearing houses. The solutions are based on the TRADExpress™ platform developed in-house. The company has been making a profit since its inception back in 1998 and realized early on the potential in building flexible finance systems that are easy to customize and can cope with several different kinds of instruments in the same system.

The company operates with unique skills within a global but narrow niche, and has identified about a hundred international organizations as its primary target group. Customers today include several leading trading venues and financial organizations in major financial centers such as Chicago, Frankfurt, Hong Kong, London, New York and Toronto.

## **Market development during the year**

Cinnober's sales were in line with the preceding year. Profits were lower than in the preceding financial year, although the trend during the latter half of the year was positive thanks to new orders and installations.

We are continually identifying and approaching new customers and successful technology and marketing projects over the year have resulted in a high level of inquiries and ongoing sales processes. We can affirm that our competitive situation is favorable and that our geographical processing has widened considerably – after focusing on the Western European and North American markets for many years. Over the year we have initiated and been involved in a number of system procurement processes in various growth markets in the Middle East, Southeast Asia and Eastern Europe. Our sales processes can take a long time, sometimes stretching across several years. We are currently working on several exciting opportunities and we won a number of new orders over the past year.

Following a long and exhaustive evaluation process, the Stock Exchange of Thailand (SET) selected Cinnober as its total supplier for an extensive project to replace the exchange's current application platforms. We look forward to maintaining a close relationship with SET for many years to come. Agreements were signed for the delivery of solutions for both SET's equity and derivative trading operations as well as for the distribution of market data and market surveillance. The new systems will start to go live in 2012 for equities, and 2013 for derivatives.

In 2011, Deutsche Börse Group (DBAG), one of the most highly respected exchange groups in the world, selected Scila Surveillance for its market surveillance work. This adds the Frankfurt Exchange and its Xetra system, which accounts for some 90% of the German stock market, and Eurex, one of the world's largest derivatives markets, to Scila's growing list of customers. DBAG also has the option of introducing Scila Surveillance at some ten additional marketplaces within the Group.

An agreement was signed with the Qatar Exchange regarding delivery of Scila Surveillance. The order marks Cinnober's first step into the Middle East and the installation is scheduled to go live in the autumn of 2011. During the financial year, Scila also entered production for the monitoring of the new London-based LMAX marketplace, which offers retail trading in CFDs (Contracts for Differences).

Cinnober has secured an order with a consortium regarding a marketplace for binary derivatives. Behind the consortium are a number of reputable individuals with experience of similar initiatives and it is our view that the project offers great potential. The venture is being carried out in two phases, of which the first includes a planned launch in Europe at the end of 2011/start of 2012. The second phase comprises

a complete launch in the US market, with the objective of being in production by the end of 2012. Cinnober is to deliver the TRADExpress Trading System and, following the launch, will continue to provide support, operation and maintenance.

In June 2011, contracts were signed with an Asian clearing venue for delivery of TRADExpress RealTime Clearing. The delivery project is scheduled to commence in October 2011.

In the early summer, PAVE, a Spanish challenger to the dominant Bolsa de Madrid, selected Cinnober with the TESS service offering as its technology partner. This exciting venture is planned for the first half of 2012.

In October 2010, LSE-owned Turquoise replaced its trading system from Cinnober with its own technology platform. However, Turquoise Derivatives selected Scila Surveillance as its market surveillance tool, meaning that Cinnober's relationship with Turquoise as a customer continues.

Over the financial year, Markit BOAT and Borsa Italiana once again extended their support agreements. The Italian DDM Plus was delivered by Cinnober in 2006 and is a system used for the reporting of market data from all of the LSE-owned Borsa Italiana marketplaces. Markit BOAT is a reporting system for OTC equities trading. More than 20% of total equities trading in Europe is reported via this system, which was delivered by Cinnober in 2007.

### **Evolution of our offering**

The solutions offered by Cinnober are business-critical and help customers to streamline their operations while also boosting competitiveness. Our organization and approach are adapted to large-scale business projects and our successful history builds on a long-term view regarding relations

with our target group and the continued development of our offering. Over the past two years, we have actively broadened and further developed our offering and we can now be viewed as a total supplier to trading and clearing venues.

In early June 2011, Cinnober's launch of TRADExpress Ultra attracted considerable attention for its ultra-low latency. The product is the result of an internal research and development project aimed at countering increasingly fierce competition. Through TRADExpress Ultra, we are now able to offer clearly world-leading latency, at levels as low as less than a tenth of what known competing solutions can offer. But our development work does not end there – we know that we cannot rest on our laurels but must continuously enhance the performance of our systems.

Over the year, we have also gained proof of the strength of TRADExpress RealTime Clearing, our offering in clearing and risk management. Our venture with this product emerged from our early assessment that there will be extensive need for modern real-time solutions in this area, particularly following tightened requirements on the financial markets from legislators and supervisory authorities. Over the financial year, our offering in this area has attracted increasing attention. We have delivered design studies and prototypes to customers and also signed agreements for system deliveries in 2011/2012.

The development of Scila Surveillance continues. Alongside sales successes to marketplaces over the year, we also have also noted increasing interest in this offering from supervisory authorities and other players outside the exchanges.

In summary, we can affirm that Cinnober stands out strongly from its competition with regard to trading platforms, risk management and market surveillance.

## Employees

The average number of employees in the Group amounted to 168 (166) during the financial year. By the end of the financial year the Group had 168 (169) employees and 5 (5) contracted consultants.

## Profits

Consolidated sales for the financial year amounted to SEK 223.3 million (222.9) and profit before tax was SEK 15.1 million (25.1). Despite the prevailing uncertainty in the market, Cinnober continues to deliver a profit and sales were somewhat higher than in the preceding financial year. Cinnober's revenue during the financial year was invoiced 70% in EUR (69%), 14% in GBP (17%), 12% in SEK (12%) and 4% in USD (2%). Cinnober hedges larger streams of income which are known in advance.

Operating expenses are dominated by personnel costs, which amounted to SEK 134.3 million (125.6) during the financial year. Other external expenses continued to decline over the financial year, amounting to a total of SEK 70.0 million (72.0).

Cinnober continues to focus on product development and invests continuously in its product family TRADExpress™. Since most of the development is an integral part of our major customer projects, Cinnober charges all costs to earnings on an ongoing basis. The investments in product development during the year have been carried as expenses in their entirety, amounting to SEK 15.0 million (44.8).

Depreciation/amortization have been applied according to plan and amounted to SEK 4.2 million (5.3) for the Group. Cinnober's net financial items were affected negatively by exchange rate fluctuations. Profit for the year includes an exchange rate loss amounting to SEK 3.0 million, compared with a gain of SEK 4.7 million for the preceding financial year.

## Investments

During the financial year, Cinnober acquired 12 million shares in the UK company FFastFill Plc for a purchase consideration equivalent to SEK 12.5 million. FFastFill is listed on LSE AIM and Cinnober's holding corresponds to nearly 3% of the total number of shares and votes in the company. FFastFill

## Key figures

Group key financial data	06-30-11	06-30-10	06-30-09	06-30-08	06-30-07
Net Sales (SEK million)	223.3	222.7	322.8	238.3	126.0
Operating profit (SEK million)	14.8	20.0	70.8	24.7	13.5
Operating profit, adjusted (SEK million)	14.8	20.0	70.8	30.0 <sup>1</sup>	15.1 <sup>2</sup>
Earnings before tax (SEK million)	15.1	25.1	63.4	24.9	9.4
Net Profit for the year (SEK million)	10.8	18.3	45.1	17.3	5.2
Operating margin (%)	6.7	9.0	21.9	10.4	10.7
Adjusted operating margin (%)	6.7	9.0	21.9	12.6 <sup>1</sup>	12.0 <sup>2</sup>
Net Margin (%)	4.8	8.2	14.0	7.3	4.1
Equity (SEK million)	137.8	142.0	141.9	100.3	89.5
Equity ratio (%)	69.5	72.5	61.4	60.2	70.4
Quick ratio (%)	259.0	362.1	256.3	240.0	316.3

<sup>1</sup> Operating profit and operating margin adjusted for items affecting comparability of SEK 5.3 million, consisting of moving costs and costs for the trademark platform.

<sup>2</sup> Operating profit adjusted for items affecting comparability of SEK 1.6 million. These items consist of legal and moving costs.

operates in a market that somewhat overlaps Cinnober's and the holding is thus strategic and long-term in nature.

As part of the agreement with the above-mentioned marketplace for binary derivatives, Cinnober has assumed a degree of ownership in the consortium and this holding is also long-term in nature.

#### Financial position

Cinnober's financial position remains very strong. On June 30, 2011, the Group's equity amounted to SEK 137.8 million (142.0), and the equity ratio was 69.5% (72.5%). The quick ratio remains stable, and was at the close of the reporting period 259.0% (362.1%). On June 30, 2011, the Group's current assets totaled SEK 156.5 million (188.7), of which Accounts Receivable are SEK 43.5 million (24.7). As of September 9, 2011, 71% of the Accounts Receivable recorded at year-end had been paid. None of the remaining Accounts Receivable is considered to be doubtful.

#### Significant events after the end of the financial year

In August 2011, Cinnober acquired additional shares in the UK company FFastFill, meaning that Cinnober's holdings now amount to 5.79% of the total number of shares and votes in the company.

After the end of the financial year, Cinnober's CEO Jan Arpi tendered his resignation in order to be able to take on a new challenge within the Swedish financial sector.

#### The Group

In addition to the parent company Cinnober Financial Technology AB (publ), the Group comprises the wholly-owned subsidiaries Cinnober Americas Inc, which is registered in the United States; Cinnober UK Ltd, which is registered in the UK; and the Swedish subsidiaries Cinnober Products AB and Cinetics AB, both domiciled in Stockholm.

Cinnober Financial Technology also has 20.4% of the shares in Scila AB, domiciled in Stockholm. Scila AB develops Scila

Surveillance and has signed an exclusive sales agreement with Cinnober. The holding is recorded as an associated company.

#### Share data

As per June 30, 2011, the company's capital stock consisted of 570,000 series A shares and 1,613,040 series B shares. The total number of shares was 2,183,040.

In October 2010, pending approval by the Annual General Meeting, the company issued 200,000 share warrants aimed at employees, with each warrant entitling subscription for one series B share in the company. This program will run between 2010 and 2013. In December 2010, the company received payment for warrant premiums totaling SEK 0.4 million. If fully exercised, the program will entail a dilution effect of 8.4%.

#### Proposed disposition of earnings

The Board of Directors and the CEO propose that the unappropriated earnings at the disposal of the AGM, SEK 122 million, are to be allocated as follows:

	<b>Amount</b>
Dividend to shareholders (2,183,040 shares at SEK 7)	15,281,280
Funds to be carried forward	<u>106,738,725</u>
Total	122,020,005

The Board proposes that the AGM decide that the record day for dividends should be October 27.

#### Board's statement on the proposed distribution of earnings:

It is the opinion of the Board and the CEO that the proposed dividend is justifiable with reference to the demands and the nature, scope and risk 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 with regard to the demands and 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.

# Consolidated Income Statement

Amounts in thousands of SEK	Note	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b>Operating Income</b>			
Net sales	1	223 270	222 719
Other operating income		-	166
		<b>223 270</b>	<b>222 885</b>
<b>Operating expenses</b>			
Other external expenses	2	-69 958	-71 962
Personnel expenses	3	-134 318	-125 630
<b>Operating profit before depreciation/amortization</b>		<b>18 994</b>	<b>25 293</b>
Depreciation/amortization and impairment of equipment and intangible assets		-4 181	-5 327
<b>Operating profit</b>		<b>14 813</b>	<b>19 966</b>
<b>Profit from financial items</b>			
Interest income and similar profit items	4	3 554	5 315
Interest expenses and similar expense items	5	-3 263	-179
<b>Profit after financial items</b>		<b>15 104</b>	<b>25 102</b>
<b>Profit before tax</b>		<b>15 104</b>	<b>25 102</b>
Tax on profit for the year	6	-4 281	-6 849
<b>Profit for the year</b>		<b>10 823</b>	<b>18 253</b>

# Consolidated Balance Sheet

Amounts in thousands of SEK	Note	06-30-2011	06-30-2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Capitalized expenditures for research and development and similar	7	845	4 226
		<b>845</b>	<b>4 226</b>
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	8	1 492	2 128
		<b>1 492</b>	<b>2 128</b>
<i>Financial assets</i>			
Participations in associated companies	10	300	300
Other securities held as non-current assets	11	39 230	-
Other long-term receivables		369	439
		<b>39 899</b>	<b>739</b>
<b>Total non-current assets</b>		<b>42 236</b>	<b>7 093</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable - trade		43 536	24 733
Tax receivables		2 788	15
Other receivables		1 736	988
Prepaid expenses and accrued income	12	14 417	29 256
		<b>62 477</b>	<b>54 992</b>
<i>Investments in securities</i>		-	<b>60 170</b>
<i>Cash and bank balances</i>		<b>93 469</b>	<b>73 518</b>
<b>Total current assets</b>		<b>155 946</b>	<b>188 680</b>
<b>TOTAL ASSETS</b>		<b>198 182</b>	<b>195 773</b>

# Consolidated Balance Sheet

Amounts in thousands of SEK	Note	06-30-2011	06-30-2010
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	13		
Share capital		2 183	2 183
Restricted reserves		22 309	23 920
Non-restricted reserves		102 436	97 642
Profit for the year		10 823	18 253
<b>Total equity</b>		<b>137 751</b>	<b>141 998</b>
<b>Provisions</b>			
Deferred tax liability		222	1 673
		<b>222</b>	<b>1 673</b>
<b>Current liabilities</b>			
Accounts payable - trade		3 992	6 433
Current tax liability		-	14 578
Other liabilities		2 210	2 272
Accrued expenses and deferred income	14	54 007	28 819
		<b>60 209</b>	<b>52 102</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>198 182</b>	<b>195 773</b>
<b>Pledged assets and contingent liabilities</b>			
		<b>06-30-2011</b>	<b>06-30-2010</b>
Pledged assets		None	None
Contingent liabilities	16	98	None

# Consolidated Cash Flow Statement

Amounts in thousands of SEK	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b><i>Operating activities</i></b>		
Profit after financial items	15 104	25 102
Adjustment for non-cash items	4 181	5 327
	<b>19 285</b>	<b>30 429</b>
Income tax paid	-23 098	-14 907
<b>Cash flow from operating activities before working capital changes</b>	<b>-3 813</b>	<b>15 522</b>
<b><i>Cash flow from working capital changes</i></b>		
Increase(-)/Decrease (+) in current receivables	-7 415	17 795
Increase(+)/Decrease (-) in current liabilities	25 290	-27 356
<b>Cash flow from operating activities</b>	<b>14 062</b>	<b>5 961</b>
<b><i>Investing activities</i></b>		
Acquisition of associated company	-39 230	-
Purchase of equipment	-164	-345
<b>Cash flow from investing activities</b>	<b>-39 394</b>	<b>-345</b>
<b><i>Financing activities</i></b>		
Received warrant premiums	394	-
Redemption of warrants	-	-1 097
Dividend paid	-15 281	-17 128
<b>Cash flow from financing activities</b>	<b>-14 887</b>	<b>-18 225</b>
<b>Cash flow for the year</b>	<b>-40 219</b>	<b>-12 609</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>133 688</b>	<b>146 297</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>93 469</b>	<b>133 688</b>

Amounts in thousands of SEK

06-30-2011

06-30-2010

## Supplementary disclosures to the consolidated cash flow statement

### *Adjustments for items not included in the cash flow*

Depreciation of equipment	800	773
Amortization of intangible assets	3 381	4 554
	<b>4 181</b>	<b>5 327</b>

### *Cash and cash equivalents*

*The following sub-components are included in cash and cash equivalents:*

Cash and bank balances	93 469	73 518
Investments in securities	-	60 170
	<b>93 469</b>	<b>133 688</b>

*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.

# Parent Company Income Statement

Amounts in thousands of SEK	Note	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b><i>Operating income</i></b>			
Net sales	1	223 270	222 719
Other operating income		-	166
		<b>223 270</b>	<b>222 885</b>
<b><i>Operating expenses</i></b>			
Other external expenses	2	-70 900	-75 731
Personnel expenses	3	-133 112	-124 341
<b>Operating profit before depreciation/amortization</b>		<b>19 258</b>	<b>22 813</b>
Depreciation/amortization and impairment of equipment and intangible assets		-800	-1 946
<b>Operating profit</b>		<b>18 458</b>	<b>20 867</b>
<b><i>Profit from financial items</i></b>			
Interest income and similar profit items	4	3 499	5 203
Interest expenses and similar expense items	5	-3 274	-174
<b>Profit after financial items</b>		<b>18 683</b>	<b>25 896</b>
<b><i>Appropriations</i></b>			
Change in tax allocation reserves		2 135	4 284
<b>Profit before tax</b>		<b>20 818</b>	<b>30 180</b>
Tax on profit for the year	6	-5 712	-8 210
<b>Profit for the year</b>		<b>15 106</b>	<b>21 970</b>

# Parent Company Balance Sheet

Amounts in thousands of SEK	Note	06-30-2011	06-30-2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	8	1 492	2 128
		<b>1 492</b>	<b>2 128</b>
<i>Financial assets</i>			
Participations in Group companies	9	16 177	16 177
Participations in associated companies	10	300	300
Other securities held as non-current assets	11	39 230	-
Other long-term receivables		346	410
		<b>56 053</b>	<b>16 887</b>
<b>Total non-current assets</b>		<b>57 545</b>	<b>19 015</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable - trade		43 536	24 733
Receivables from Group companies		187	146
Tax receivables		3 277	-
Other receivables		1 736	988
Prepaid expenses and accrued income	12	14 399	29 243
		<b>63 135</b>	<b>55 110</b>
<i>Investments in securities</i>		-	<b>60 170</b>
<i>Cash and bank balances</i>		<b>93 297</b>	<b>65 541</b>
<b>Total current assets</b>		<b>156 432</b>	<b>180 821</b>
<b>TOTAL ASSETS</b>		<b>213 977</b>	<b>199 836</b>

Amounts in thousands of SEK 06-30-2011 06-30-2010

## EQUITY AND LIABILITIES

<i>Equity</i>	13		
<i>Restricted equity</i>			
Share capital (2 183 040 shares)		2 183	2 183
Statutory reserve		22 375	22 375
		<b>24 558</b>	<b>24 558</b>
<i>Non-restricted equity</i>			
Share premium reserve		14 906	14 512
Profit brought forward		92 008	85 320
Profit for the year		15 106	21 970
		<b>122 020</b>	<b>121 802</b>
<b>Total equity</b>		<b>146 578</b>	<b>146 360</b>
<i>Untaxed reserves</i>			
Tax allocation reserves	15	-	2 135
		-	<b>2 135</b>
<i>Current liabilities</i>			
Accounts payable - trade		3 992	6 433
Liabilities to Group companies		7 391	93
Current tax liability		-	13 957
Other liabilities		2 210	2 274
Accrued expenses and deferred income	14	53 806	28 584
		<b>67 399</b>	<b>51 341</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>213 977</b>	<b>199 836</b>

## Pledged assets and contingent liabilities

		06-30-2011	06-30-2010
Pledged assets		None	None
Contingent liabilities	16	98	None

# Parent Company Cash Flow Statement

Amounts in thousands of SEK	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b>Operating activities</b>		
Profit after financial items	18 683	25 896
Adjustments for non-cash items	800	1 946
	<b>19 483</b>	<b>27 842</b>
Income tax paid	-22 946	-14 854
<b>Cash flow from operating activities before working capital changes</b>	<b>-3 463</b>	<b>12 988</b>
<b>Cash flow from working capital changes</b>		
Increase(-)/Decrease (+) in current receivables	-7 961	-17 621
Increase(+)/Decrease (-) in current liabilities	33 291	-30 353
<b>Cash flow from operating activities</b>	<b>21 867</b>	<b>256</b>
<b>Investing activities</b>		
Acquisition of associated company	-39 230	-
Purchase of equipment	-164	-345
<b>Cash flow from investing activities</b>	<b>-39 394</b>	<b>-345</b>
<b>Financing activities</b>		
Received warrant premiums	394	-
Redemption of warrants	-	-1 097
Dividend paid	-15 281	-17 128
<b>Cash flow from financing activities</b>	<b>-14 887</b>	<b>-18 225</b>
<b>Cash flow for the year</b>	<b>-32 414</b>	<b>-18 314</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>125 711</b>	<b>144 025</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>93 297</b>	<b>125 711</b>

Amounts in thousands of SEK

06-30-2011

06-30-2010

## Supplementary disclosures to the cash flow statement – Parent company

### *Adjustments for items not included in the cash flow*

Depreciation of equipment	800	773
Amortization of intangible assets	-	1 173
	<b>800</b>	<b>1 946</b>

### *Cash and cash equivalents*

*The following sub-components are included in cash and cash equivalents:*

Cash and bank balances	93 297	65 541
Investments in securities	-	60 170
	<b>93 297</b>	<b>125 711</b>

*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 & 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 the 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

Shareholdings 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 amortization 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 that has not yet been received as a dividend is allocated to the equity method reserve, which constitutes a part of the consolidated restricted equity.

### Currency translation of foreign subsidiaries or other foreign enterprises

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

The current method means that all assets, provisions and liabilities are translated at the rate of exchange at the close of the reporting period and that all items in the income 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 at the rate of exchange at the close of the reporting period, while non-monetary items and corresponding items in the income statement are translated at 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.

When an independently operated foreign enterprise is sold, the accumulated translation gains/losses related to that enterprise are accounted for in the consolidated income statement, after deduction for any currency hedging. Information regarding the Group

### Group information

From the parent company's total purchases and sales, as measured in SEK, 2% (5%) of purchases and 0% (0%) of sales are 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 BFAR 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 that is to be paid or received in respect of the present year. Adjustments of current tax relating to previous 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 that are not expected become taxed within the near future. For legal entities, the disclosed untaxed reserves include deferred tax obligations. In the consolidated financial statements, on the other hand, 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

that 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 may arise 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 income statement as an expense when they are incurred. Development costs are included in the balance sheet at their acquisition value less accumulated amortization and impairment.

#### *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 income 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.

The following amortization periods are utilized:

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

#### *Depreciation principles*

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

The following depreciation periods are utilized:

	Group years	Parent company years
Tangible fixed assets:		
Equipment, tools and fittings	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 in which 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

	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b>Group</b>		
Net income, sales of services	223 270	222 719
	<b>223 270</b>	<b>222 719</b>
<b>Parent company</b>		
Net income, sales of services	223 270	222 719
	<b>223 270</b>	<b>222 719</b>

## Note 2 Fees and expenses for auditors

	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b>Group</b>		
<i>Deloitte AB</i>		
Audit assignments	323	352
Audit activities	32	13
Tax advice	50	71
<i>Other auditors</i>		
Audit assignments	57	51
<b>Total</b>	<b>462</b>	<b>487</b>
<b>Parent company</b>		
<i>Deloitte AB</i>		
Audit assignments	323	352
Audit activities	32	13
Tax advice	50	71
<b>Total</b>	<b>405</b>	<b>436</b>

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 performance of such tasks.

## Note 3 Employees and payroll costs

### Average number of employees

	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b>Parent company</b>		
Men	121	118
Women	46	47
<b>Total in the parent company</b>	<b>167</b>	<b>165</b>
<b>Subsidiaries</b>		
Men	1	1
Women	-	-
<b>Total in subsidiaries</b>	<b>1</b>	<b>1</b>
<b>Group total</b>	<b>168</b>	<b>166</b>

### Gender distribution in boards and senior management

	06-30-2011 Percentage of women	06-30-2010 Percentage of women
<b>Parent company</b>		
Members of the Board of Directors	25	25
Senior management	22	38
<b>Group</b>		
Members of the Board of Directors	25	25
Senior management	22	38

### Salaries, other remuneration and social security contribution

	07-01-2010- 06-30-2011	07-01-2009- 06-30-2010
<b>Parent company</b>		
Board of Directors and CEO <sup>1)</sup>	3 280	3 431
Other employees	84 639	77 207
<b>Total</b>	<b>87 919</b>	<b>80 638</b>
Social insurance contributions (of which pension contributions) <sup>2)</sup>	40 184	38 603
	13 042	13 526
<b>Subsidiaries</b>		
Board of Directors and CEO <sup>3)</sup>	-	-
Other employees	1 033	1 149
<b>Total</b>	<b>1 033</b>	<b>1 149</b>
Social insurance contributions (of which pension contributions)	66	57
	-	-
<b>Group</b>		
Board of Directors and CEO	3 280	3 431
Other employees	85 446	78 356
<b>Total</b>	<b>88 726</b>	<b>81 787</b>
Social insurance contributions (of which pension contributions) <sup>4)</sup>	40 475	38 660
	13 042	13 526

1) Of which bonus payments 0 (604 the previous year).

2) Of parent company's pension costs, 293 (264 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 0 (0 the previous year).

4) Of the Group's pension costs, 293 (264 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).



## Note 8 Equipment, tools, fixtures and fittings

	06-30-2011	06-30-2010
<b>Group</b>		
<i>Accumulated acquisition value:</i>		
-Opening balance	4 251	3 906
-New purchases	164	345
	<b>4 415</b>	<b>4 251</b>
<i>Accumulated depreciation according to plan:</i>		
-Opening balance	-2 123	-1 350
-Depreciation according to plan for the year	-800	-773
	<b>-2 923</b>	<b>-2 123</b>
<b>Carrying amount at year-end</b>	<b>1 492</b>	<b>2 128</b>
<b>Parent company</b>		
<i>Accumulated acquisition value:</i>		
-Opening balance	4 251	3 906
-New purchases	164	345
	<b>4 415</b>	<b>4 251</b>
<i>Accumulated depreciation according to plan:</i>		
-Opening balance	-2 123	-1 350
-Depreciation according to plan for the year	-800	-773
	<b>2 923</b>	<b>-2 123</b>
<b>Carrying amount at year-end</b>	<b>1 492</b>	<b>2 128</b>
Financial leasing agreements on equipment are included in the following amounts:	None	None

## Note 9 Shares in Group companies

	06-30-2011	06-30-2010
<i>Accumulated acquisition value:</i>		
-Opening balance	16 177	16 177
<b>Carrying amount at year-end</b>	<b>16 177</b>	<b>16 177</b>

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

This refers to the percentage of capital owned, which also corresponds to the percentage of votes for the total number of shares.

Subsidiary / Corp. ID. / Domicile	Number of shares	in %	Book value
Cinnober Products AB, 556642-0310, Stockholm	100 000	100	100
Cinetics AB, 556676-2554, Stockholm	8	100	15 895
Cinnober Americas Inc., New York USA	1 000	100	182
Cinnober UK Limited, 6509090, London UK	1	100	-
			<b>16 177</b>

## Note 10 Participations in associated companies

	Group	Parent company
<b>Accumulated acquisition value:</b>		
-Opening balance	300	300
<b>Carrying amount at year-end</b>	<b>300</b>	<b>300</b>

Associated company Scila AB, Corp. ID. 556763-4695. 30 000 series B shares were acquired on October 15, 2008. Owned share 20.4% (20.4%) of a total 147,000 (147,000) shares in the company.

## Note 11 Investments in securities

	Group	Parent company
<b>Accumulated acquisition value:</b>		
-Opening balance	-	-
- Acquisitions	39 230	39 230
<b>Carrying amount at year-end</b>	<b>39 230</b>	<b>39 230</b>

## Note 12 Prepaid expenses and accrued income

	06-30-2011	06-30-2010
<b>Group</b>		
Accrued project income	9 137	25 453
Prepaid rental payments	2 209	2 145
Accrued interest income	460	188
Other items	2 611	1 470
	<b>14 417</b>	<b>29 256</b>
<b>Parent company</b>		
Accrued project income	9 137	25 453
Prepaid rental payments	2 191	2 145
Accrued interest income	460	175
Other items	2 611	1 470
	<b>14 399</b>	<b>29 243</b>

## Note 13 Equity

Stockholm, September 9, 2011

	Share capital	Restricted reserves	Non-restricted equity
<b>Group</b>			
Opening balance	2 183	23 920	115 895
Received warrant premiums			394
Transfers between non-restricted and restricted equity		-1 573	1 573
Currency exchange rate gain/loss for the year		-38	-145
Dividend			-15 281
Profit for the year			10 823
<b>At year-end</b>	<b>2 183</b>	<b>22 309</b>	<b>113 258</b>
<b>Parent company</b>			
Opening balance	2 183	22 375	121 802
Received warrant premiums			394
Dividend			-15 281
Adjustment			-1
Profit for the year			15 106
<b>At year-end</b>	<b>2 183</b>	<b>22 375</b>	<b>122 020</b>

The company's share capital consists of 570,000 series A shares with 10 votes per share and 1,613,040 series B shares with one vote per share.

## Note 14 Accrued expenses and deferred income

	06-30-2011	06-30-2010
<b>Group</b>		
Accrued personnel expenses	27 964	22 907
Deferred income	23 923	3 784
Other items	2 120	2 128
	<b>54 007</b>	<b>28 819</b>
<b>Parent company</b>		
Accrued personnel expenses	27 839	22 726
Deferred income	23 923	3 784
Other items	2 044	2 074
	<b>53 806</b>	<b>28 584</b>

## Note 15 Tax allocation reserves

	06-30-2011	06-30-2010
Tax allocation reserves, provision for 2007 tax assessment	-	2 135
	-	<b>2 135</b>

## Note 16 Contingent liabilities

### Forward cover

Cinnober continuously hedges its foreign exchange rate exposure, up to 12 months. Accounts receivables and other receivables in foreign currencies are recorded at the agreed forward exchange rates and contracted and anticipated future sales revenues in foreign currencies are settled at the forward rate when they occur. Per reporting date, there is an unrealized foreign exchange loss of 0.1 MSEK (exchange gain 2.4 MSEK) for the portfolio of foreign exchange forward agreements. This is primarily due to the fact that the exchange rate of EUR/SEK exceeds the average rate of the forward agreements at the period end.

**Nils-Robert Persson**  
Chairman of the Board

**Jan Arpi**  
CEO

**Stefan Widenfelt**

**Helena Westin**

**Peter Lenti**

Our auditor's report has been submitted on September 9, 2011.  
Deloitte AB

**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 2010-07-01--2011-06-30. The company's annual accounts and the consolidated accounts are presented on pages 14-34 in the printed version of this document. 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 September 9, 2011  
Deloitte AB

**Svante Forsberg**  
Authorized Public Accountant



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