Cinnober®

ANNUAL REPORT 2016

CONTENTS

Cover photo – Tokyo, Japan

In spring 2016, Cinnober announced two deals with JPX (Japan Exchange Group), and added yet another of the world's largest exchanges to its growing list of customers.

JPX chose Cinnober to supply a new clearing solution for the entire Japanese derivatives market. This was later followed by a supplemental deal in which Cinnober will supply a solution for advanced risk calculations for all traded instruments. Cinnober is a key partner in JPX's ambitious 'Grand Design' project, which involves the establishment of a global, market-leading infrastructure for trading in financial instruments. The system solutions from Cinnober are to undergo acceptance testing during 2017, for operational launch in 2018.

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

CINNOBER AT A GLANCE

Cinnober is an independent supplier of financial technology. The company operates in a global market, in which the target group has traditionally comprised the world's largest exchanges and clearinghouses. The ambition is to harness the company's world-leading position in this segment to broaden the customer base. This will be achieved by targeting the much larger banking market with niched service solutions based on Cinnober's proven technology.

Cinnober's fundamental business concept is to offer business-critical, customized system solutions for exchanges and clearinghouses. Such customers have high demands when it comes to quality, reliability and performance.

The company strives to maintain a market-leading role by developing innovative, competitive and high-quality solutions that facilitate the creation of new marketplaces and business opportunities for customers.

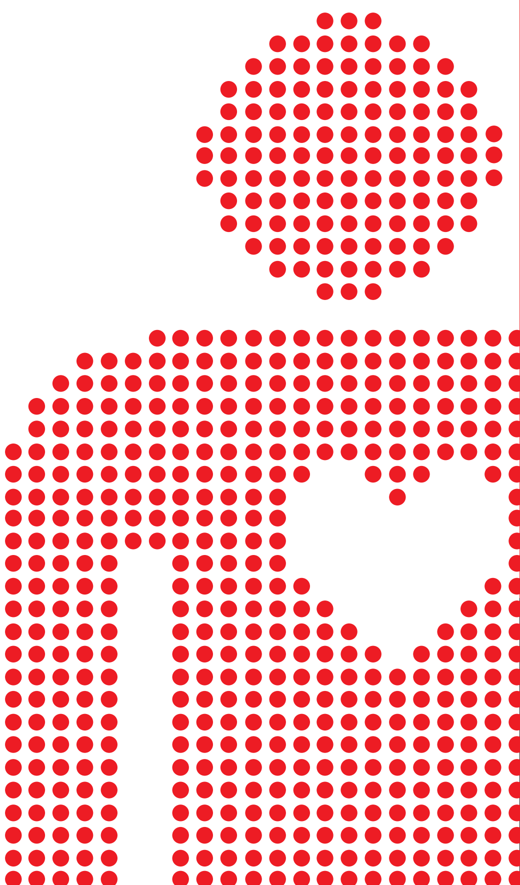
The product portfolio primarily includes trading and clearing systems, but also solutions for price discovery, market data, index calculations, risk management and market surveillance. Cinnober also offers managed services to all target groups on a subscription basis.

The aim is to broaden the customer base by offering banks and brokers niched service solutions based on the company's existing technology. The market for scalable and effective service solutions for this target group is significantly larger than the company's traditional market. Two separate subsidiaries within the Group comprise specific growth initiatives in this segment.

Cinnober's ambition is to generate shareholder value through growth, higher profitability and a stronger cash flow. The company's traditional business cycle consists of three phases with long lead times. Profitability is highly dependent on what phase the customer projects are in.

In phase one, the sales phase, the market and potential customers are cultivated, which generates costs. In phase two, the project phase, the technology is customized and implemented. These kinds of project revenues accounted for 33% (39%) of sales in 2016. In phase three, the operating phase, Cinnober provides support and maintenance of the system solution. Additional development is performed based on customers' specific needs. This phase includes recurring license, operation and support revenues, with generally higher margins.

Cinnober's recurring revenues remain consistently high, accounting for 67% (61%) of sales in 2016. The company's profitability is affected by the business mix, but for Cinnober, project efficiency, product functionality as well as effective tools and scalability are also important elements for profitable growth. The company's operating profit amounted to SEK 9.5 million (16.0) in 2016. The business is characterized by long-term sales processes and customer relationships. The company's invoicing model means that the cash flow from the business generally fluctuates between individual quarters. In 2016, cash flow from operations totaled SEK 58.2 million (6.2).



18 SUCCESSFUL YEARS IN AN EVER-CHANGING MARKET

FAST2MARKET

PRODUCT-BASED & CUSTOMIZED

TRADEXPRESS FOR BUSINESS-CRITICAL SOLUTIONS

EXTREMELY FAST SYSTEMS

DISRUPTIVE TECHNOLOGIES

REAL TIME SOLUTIONS

BLOCK CHAIN

NEW REGULATIONS GENERATE NEW OPPORTUNITIES

G20 MANDAT

DODD FRANK USA	MIFID II EU	EMIR EU	MIFIR EU	BASEL III EU

= TECHNOLOGY NEEDS
(MORE ON-EXCHANGE AND CLEARING)

QUALITY & **100%** UP-TIME

CINNOBER LIVES THROUGH DIVERSITY

+40 NATIONALITIES AT CINNOBER

OFTEN SUPPLIES THE HEART OF THE CUSTOMER'S OPERATIONS

WITHOUT SYSTEMS, NO EXCHANGE OR CLEARINGHOUSE

1 FROM DAY ONE, DEVELOPED FOR MULTI-ASSET AND CUSTOMIZATION

WORLD CLASS SWEDISH FINTECH COMPANY

DISTRIBUTION OF REVENUES IN 2016

EXCHANGES AND CLEARINGHOUSES

- AUSTRALIAN SECURITIES EXCHANGE
- B3 *(FORMERLY BM&FBOVESPA)*
- DUBAI GOLD & COM. EXCHANGE
- EQUILEND
- EURONEXT
- JAPAN EXCHANGE GROUP
- JOHANNESBURG STOCK EXCHANGE
- LONDON METAL EXCHANGE
- NYSE
- STOCK EXCHANGE OF THAILAND

BANKS

- GOLDMAN SACHS
- BARCLAYS
- BNP PARIBAS

STOCKHOLM	UMEÅ	LONDON	NEW YORK
222	69	19	2
EST 1998	EST 2012	EST 2011	EST 2001

A WORD FROM THE CEO

Cinnober enjoys an extremely strong position on our traditional market, while through subsidiaries we are establishing new offerings aimed at a significantly larger target group. Regulations, greater demands for efficiency and tough competition requiring business development are fueling our customers' investment appetite.

Cinnober is continuing to expand and net sales for the year amounted to SEK 330.9 million, an increase of SEK 30.4 million (10.1%) compared with the previous year. Much of the company's growth has occurred within our core segment of exchanges and clearinghouses, with the prestigious project with Japan Exchange Group standing out as the year's largest and most important deal. Operating profit for the year totaled SEK 9.5 million, which is significantly short of the long-term profitability level we aiming at. A high workload in customer projects has meant we have had to temporarily engage the services of a large number of external consultants, which combined with ongoing growth initiatives has put pressure on earnings. However, it is pleasing to note that increased sales in the second half of the year led to an improvement in profitability, and that operating profit totaled SEK 16.9 million in the final two quarters. In the future, we expect higher levels of profitability in our core operations, driven by reduced consultancy expenses and growth in sales. Growth is also expected in the business areas reporting services and client clearing, which, during the initial build-out, however, will entail greater expenses than revenues.

Cinnober is founded on many years' experience of expertise within exchange and clearing technology. We draw on this experience in order to change and improve key aspects of the global financial industry, where new financial instruments and advanced electronic trading place high demands on underlying systems. We have an indisputable leading position in our traditional market, where the requirements in terms of reliability, quality and performance are considerable.

During the year we secured an assignment from JPX to supply a new clearing solution for the Japanese derivatives market. This was followed by a supplemental deal regarding a solution for advanced risk calculations for all asset classes traded in Japan. Other significant installations are being deployed in spring 2017, including ASX's new trading system for the substantial Australian derivatives market and Brazilian B3's (formerly BM&FBOVESPA) second phase in one of the world's single largest clearing projects.

The implementation of new regulations for securities trading has progressed relatively slowly for several years now. However, the regulations are now beginning to take shape, fueling our business opportunities. For example, within the EU we have a key deadline in January 2018, when all operators must be ready for the introduction of the new MiFID II regulations. At the same time the industry as a whole faces major technological shifts. This requires systems that are future-proof, which involves replacing existing technology with more flexible and scalable solutions that are able to handle rapid business development and high transaction volumes, while satisfying future requirements.

Our traditional market of exchanges and clearinghouses still accounts for the vast majority of our revenue and constitutes the financial platform from which we build our growth initiatives. The fundamental technology and expertise exists to expand the addressable market to include the significantly larger segment consisting of international banks and brokers. In principle, these potential clients share the same technology needs as Cinnober's traditional customers, and are offered in the areas of reporting and client clearing through subsidiaries.

We have invested in Boat as part of preparations for the new MiFID II regulation. This reporting service is now perfectly positioned ahead of the new regulation, which will require reporting of additional asset classes from the beginning of 2018. Over the past year, a collaboration was launched with London Stock Exchange in which we are offering Europe's foremost one-stop-shop for reporting OTC transactions: TRADEcho.

A further positive development in the broadening of our Group is the initiative in utilizing and commercializing our leading clearing technology for international banks. The need among banks and their customers to modernize processes and systems, in post-trade and risk management, for example, and to increase their efficiency is substantial. In March 2017, we conducted a targeted new share issue for SEK 180 million to be able to establish the operations quickly in a separate subsidiary. The initiative is a milestone for us, also based on this being the first time ever Cinnober has brought in external capital for a growth venture.

Interest in the issue was considerable and entailed, in addition to the confidence of leading institutional investors, a broadened and stable shareholder base in Cinnober. In the longer term, the subsidiary will be distributed to our shareholders. The level of ambition is high and we are, at the time of writing, working intensively with launch plans and recruitment.

Cinnober's successes are the result of our technical expertise and competitive offerings, which are built on a culture that features a considerable degree of passion and creativity. We are an agile and highly motivated knowledge company. We must hold on to this culture and identity as the company grows, which is why recruitment is a strategic issue to which I devote a considerable amount of time. Our organization thrives on challenges – we need to be open-minded and do what we believe is right. One of our key grassroots initiatives, and a good example of how we prioritize creativity and passion, is our 'ShipIt Days'. Twice a year, employees are given the opportunity to participate in a 24-hour hackathon and initiate and deliver their own projects. The entire company is involved and it's incredibly inspiring to be part of these days, when the office is bursting with energy more than ever.

2017 will be an exciting year in which two key focus areas will be managing Boat's unique market position and intensifying our client clearing venture. There are considerable technological needs and investment appetite in the financial ecosystem should continue to grow. I look forward with great confidence to yet another eventful year as CEO of what I consider to be one of the world's most interesting companies within financial IT.

Stockholm, April 2017

Veronica Augustsson
CEO

MARKET AND CUSTOMERS

Cinnober's solutions for exchanges and clearinghouses have reaped considerable success over many years. The market is global and the company has customers on every continent where there are marketplaces. Based on the company's proven specialist knowledge and technology, the goal is to broaden the Group's customer base to include banks and major brokers.

The market for exchange technology is global in the true sense of the word and Cinnober is one of only a few suppliers. The company's customers include many of the world's largest exchanges and clearinghouses. Cinnober's solutions handle large transaction volumes and market data in trading with various asset classes, such as equities, bonds, commodities and derivatives. The solutions the company offers often handle the customers' core operations, namely building and running secure and efficient marketplaces.

The customers are generally large established industry operators, but also include smaller, specialized marketplaces. Competition, as well as new national regulations and authority requirements, requires investment in new and improved technology. Cinnober's solutions are often business-critical and themselves form the core of the customers' operations, which sets particularly high standards of performance, quality and functionality.

CUSTOMERS AROUND THE WORLD

Cinnober is a world leader in solutions for exchanges and clearinghouses. In a market that extends across the world, the company offers trading and clearing systems as well as supplementary solutions for e.g. market surveillance, the distribution of market data and index calculations.

The market for exchanges and clearinghouses comprises a hundred potential customers, where Cinnober primarily focuses on some 50 major operators. In recent years, the company has built up a high-quality customer portfolio, in which established national exchanges have replaced newly established exchanges in start-up phases. These are expected to generate recurring revenues for decades to come.

The competitors in sales of exchange technology are primarily the exchange operator Nasdaq and MilleniumIT, which is a wholly-owned subsidiary of the London Stock Exchange.

INDEPENDENCE AND LONG-TERM THINKING

In contrast to the company's largest competitors, Cinnober is an independent player without any ties to a specific exchange or other marketplace. This makes it easier for customers when working with Cinnober on business development. The company's strategy is based on long-term customer relationships and the perspective stretches far beyond the next quarter. Sales processes can take several years and our relationships with customers often continue for decades.

Above all, Cinnober is associated with the company's innovative ability and close, down-to-earth cooperation with its customers. New regulations, such as Dodd-Frank in the US and MiFID II in Europe, have arisen as a result of shortcomings in the international financial markets. These regulations pave the way for interesting business opportunities for an agile operator like Cinnober. The company has been a pioneer when it comes to developing new, groundbreaking solutions based on evolving needs in the market. Cinnober was affected favorably in the last wave of regulations and was able to expand considerably. The company faces similar opportunities over the next few years as marketplaces and clearinghouses, as well as banks and brokers will need to invest in new technology.

The long-term aim is to broaden the addressable market to include banks and brokers. The market for scalable and effective service solutions for banks and brokers is significantly larger than the market for exchanges and clearinghouses.

The Cinnober Group's current offering comprises four elements: trading, clearing, reporting services and post-trade services, such as client clearing. The latter two services target the banking market and are akin to start-ups, with associated costs and investments for the Parent Company.

TRADING IS IN OUR BLOOD

Ever since Cinnober was first established, operations have largely been centered around the challenges of electronically and rapidly matching buying and selling orders on a marketplace or exchange.

One particularly prestigious assignment in 2016 was the technology shift on the Australian Security Exchange, which is one of the world's ten largest exchanges. At the end of March 2017, the Australian derivatives trading system was successfully replaced with a customized solution from Cinnober.

Cinnober's existing customers include several that have exhibited impressive volume growth after having implemented the company's technology. Cinnober has both a large trading and clearing assignment with the London Metal Exchange – one of the world's dominant metal exchanges, now owned by the largest exchange group in the world, the Hong Kong Exchange. Other significant customers that use Cinnober's trading technology include the national exchange in Thailand and Dubai Gold & Commodity Exchange. Both these marketplaces have experienced considerable success and substantial growth having moved over to Cinnober as their supplier.

CLEARING IN REAL TIME—A UNIQUE SERVICE

After the 2008 financial crisis, it was clear to Cinnober that the industry's existing clearing technology had run its course. The main idea as the company was developing its successful clearing offering was to enable real-time monitoring and management of risks, regardless of the instruments traded and regardless of whether they are traded within or outside regulated exchange operations.

Cinnober is now the leading global system supplier of real-time clearing in an industry that is currently undergoing a paradigm shift. The company is very well positioned for this, as a key factor is future-proofing the systems and replacing outdated solutions with faster, more scalable ones. In 2016, for the second consecutive year, the trade journal Financial News named Cinnober's clearing solution 'Post Trade Initiative of the Year'. Cinnober has carried out a number of large, successful clearing deliveries to well-reputed industry operators, including Brazilian B3 (formerly BM&FBOVESPA), British LME Clear and Johannesburg Stock Exchange, the leading African exchange.

The deals won in 2016 with Japan Exchange Group, one of the world's most renowned exchange groups, to implement real-time clearing and a separate risk system, underscores the competitiveness of Cinnober's solutions and strengthens the company's leading position.

REPORTING SERVICES FOR BANKS

The acquisition and further development of the reporting service Boat has meant that major progress has been made in long-term strategic efforts to broaden the addressable market to include banks and brokers. Boat primarily offers these operators the opportunity to report OTC transactions that take place outside the exchange, in accordance with the pan-European MiFID I regulations. Cinnober has been providing the technology behind this service from the outset in 2007 and Boat constitutes a solid platform for marketing to the banking segment. January 2018 will see the introduction of the new MiFID II regulations as well, which will have a positive effect on Boat's offering as reporting in additional asset classes will be compulsory.

In 2016, Boat also attracted considerable attention for two business development projects. Through agreements with the traditional insurance and reinsurance market, Lloyd's of London, Boat provides an innovative platform that offers insurance and reinsurance companies access to advanced risk calculation models. During the year, the London Bullion Market Association (LBMA) also chose Boat to supply reporting services to promote increased transparency and efficiency in the market for OTC trading of precious metals.

CLIENT CLEARING

Efficiency improvements at investment banks are well under way, as is the process of digitalization, and both are set to intensify over the next few years. Considerable potential exists to upgrade and streamline the banks' risk management and client clearing processes.

Cinnober has decided to launch a subsidiary in 2017 to begin by focusing on sales of technology and services for real-time clearing, or client clearing, to banks. The target group is banks that serve as intermediaries for operators on the financial market and clearinghouses. These have a need to improve efficiency in their risk management and clearing of large flows of customer transactions in various classes of assets, conducted in or outside exchanges.

Initially, the subsidiary will incur considerable costs before beginning to generate revenue. In early 2017, a targeted issue of new shares was made, the proceeds of which will be used exclusively for the development of this business. Until such time as the subsidiary is distributed to shareholders, consolidated profit will be impacted negatively by this growth venture.

STRATEGY

With a focus on growth, Cinnober's strategy is to increase the number of customers in existing markets and broaden the customer base in specific niche markets, where banks and brokers constitute key elements. The company's strategic priorities also include improved profitability, where shorter lead times and more efficient processes are of central importance.

Cinnober is a software company whose assignment is to deliver solutions with world-class performance to demanding financial operators. A strength in Cinnober's offering is that all products are based on the same technical platform, which forms the core of the business. The platform, called TRADExpress, is flexibly designed so that the delivery can be fully adapted to customer requirements. This enables the company to offer solutions that support all kinds of trading, solutions that are cost-effective and create competitive advantages for the customer. Cinnober's technology handles all financial instruments traded in the same solution.

The company has three strategic priorities:

1. To further develop the traditional market
2. To expand the customer base to include new segments
3. To increase efficiency in operations

TO FURTHER DEVELOP THE TRADITIONAL MARKET

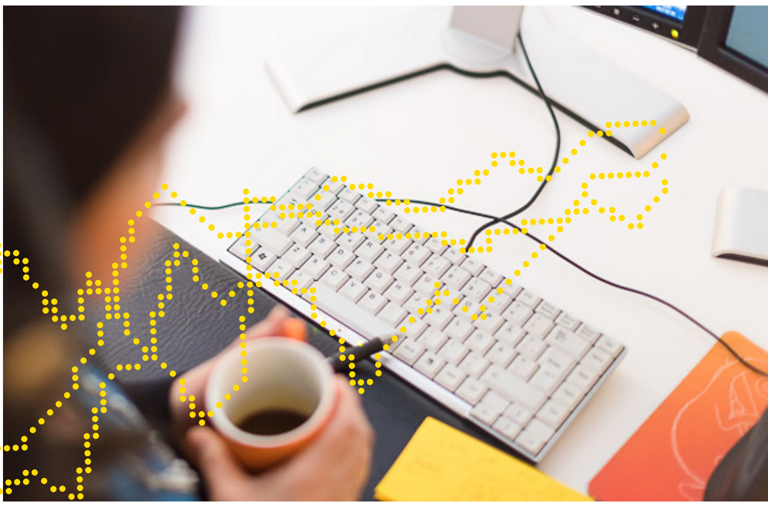
The first of the company's strategic priorities is to further develop the customer base and customer relationships in the existing market, i.e. within trading and clearing. On this market, the strategy is to offer solutions that cover all or parts of the customer's transaction chain. Expanding and developing the company's position also requires continued investment in the existing technology platform.

There are vast opportunities to broaden operations in both trading and clearing. Competition among the financial operators on the market is on the rise, which puts greater pressure on ensuring the technology is effective and reliable for transactions and risk management. The market is currently experiencing a transformation in which new technology is essential in satisfying demands for performance, along with management of a substantial number of different types of financial instruments. Cinnober aims to develop innovative, high-quality solutions that boost customers' competitiveness and support them in this transformation.

TO EXPAND THE CUSTOMER BASE TO INCLUDE NEW SEGMENTS

The second priority is to focus on offering existing technology to new customers and markets. This strategy involves the company developing certain customer segments on specific markets. At present, relationships with banks and brokerages are being cultivated primarily with two kinds of offerings: reporting services and services to improve risk management and client clearing. Cinnober is able to offer unique solutions in these areas that meet the individual needs of the banks.

Through its subsidiary Boat, Cinnober holds a solid position within reporting services in the run up to the introduction of the new MiFiD II regulations in January 2018. These regulations will, among other things, require banks to report OTC transactions for other asset classes besides equities. New regulations are deemed to be positive for the offer to banks



and ongoing investments are therefore being made in Boat's operations to meet future requirements. One initiative is the establishment of a partnership (TRADEcho) with London Stock Exchange regarding a comprehensive, shared reporting service based on the new regulatory requirements.

INCREASING EFFICIENCY IN OPERATIONS

The third strategic priority is to increase profitability and competitiveness by shortening lead times between orders and delivery, improving efficiency in operations and optimizing development efforts.

The company continually evaluates opportunities to make more efficient use of the tools and processes that exist in order to achieve scalability. This also includes persistent development of staffing processes and project methodology to shorten lead times.

Cinnober's operations are built throughout on long-term customer relationships. The company's position among its existing customers is based on confidence, which has been built up with the support of creativity, reliable solutions and a customer focus. The technical platform has gradually been adapted to market requirements and the company's strategic position on the market is strong, with only a few competitors.

In order to remain competitive, the company has adapted and honed its technology based on customer requirements, market trends, new regulations and its own innovative strength. The company has not capitalized the substantial expenses that have historically been incurred to develop the market-leading trading and real-time clearing systems it currently offers to the market. Over the past ten years, Cinnober has invested considerable resources in developing the platform. This means that the company's technology constitutes an important asset and a major competitive advantage. Cinnober owns all intellectual property rights to its proprietary systems. The extensive development work devoted to client clearing is also a valuable asset.

Cinnober is of the opinion that there are considerable barriers to entry in the market. New operators face substantial initial investments in system development. Besides this, expertise, innovation, customer references and experience in delivering complex projects within given time frames are needed.

GROUP ENTERING EXPANSIVE PHASE

The level of market activity has risen in recent years, while forthcoming regulation of the financial sector affects customers' needs and demand for new technology and new services.

The opinion is that the need for advanced clearing and risk technology will increase among banks and brokers as well, and that this market is considerably larger than Cinnober's traditional market. Sales of these services will be focused in a separate subsidiary, which based on the addressable market may in the long term be larger than the Parent Company. Overall, the Group is therefore expected to enter a growth phase with several new and exciting projects under development.

EMPLOYEES A KEY SUCCESS FACTOR

Cinnober is a knowledge center where people representing some 40 different nationalities generate innovation, entrepreneurship and a fascination for the financial industry's future challenges. It is strategically important to remain an attractive employer, in order to keep and recruit the skills required to achieve the company's anticipated expansion.

BUSINESS MODEL

A high degree of flexibility and customer interaction represent the hallmarks of Cinnober's business model. The company's deliveries are based on a proprietary technical platform that is adapted to customer requirements and is often designed to create a unique solution. Investments and customizations that are regularly made in the platform also provide positive leverage as they continuously improve the offering.

With almost two decades' experience as specialists in financial technology and suppliers to the finance industry, Cinnober has built up an extensive network in the industry. The company operates in a global market where clients have a sound knowledge of various platform solutions and suppliers. Important factors for winning a new customer include the company's track record and customer references.

LONG-STANDING CUSTOMER RELATIONSHIPS

Cinnober's business model is consistently based on long-standing business relationships. The decision to invest in Cinnober's technology is normally incumbent on the customer's top management, because the systems to be procured are mission critical and long-term solutions involving significant investment. Major customers who purchase business-critical systems from Cinnober often demand that contracts include change-of-control clauses. There are currently seven such clauses with various customers, and with somewhat differing wordings. These demonstrate what an important partner Cinnober is considered to be.

The entire procurement process, encompassing supplier selection, negotiations on software licenses and contracts regarding development, support and maintenance, can take more than a year. The long sales processes and the scale of the projects mean that initially, the process is costly. The long-term revenue model, with recurring revenues, means the margins are higher post-delivery.

The project phase and subsequent deployment take place in close cooperation between Cinnober and the customer. A normal sized project phase lasts from 6 to 18 months. Once the system has been approved by the customer, the cooperation enters an operational phase that generally lasts five or more years. During this operational phase, Cinnober is primarily responsible for support, maintenance and further development.

REVENUES FROM DIFFERENT SOURCES

Cinnober generates revenues from a number of different sources, such as system implementations, customizations, software licenses, support and maintenance, hosting, requests for alterations and design studies. The size of the license fee varies depending on which applications are added to the platform, geographical coverage and anticipated transaction volumes.

In 2016, the company's sales comprised recurring license, operations and support revenues (67%) and project-related revenues (33%). The revenues are relatively evenly distributed between clearing and trading. Clearing includes fewer internationally adopted standards and more complex projects and solutions, while trading is a more mature product area with lower development costs and higher margins.

WORLD-CLASS TECHNICAL PLATFORM

Cinnober offers business-critical and, in many cases, customized solutions and services where high demands are placed on reliability, security and performance.

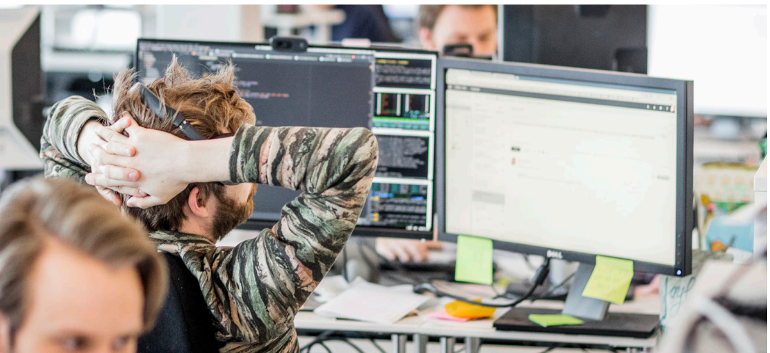
For the traditional target group of exchanges and clearinghouses, Cinnober offers solutions that cover all significant needs to build secure and efficient marketplaces: pricing, order matching, clearing, risk management, market data, index calculation and market surveillance. The company's competitive concept is based on a proprietary technical platform called TRADExpress. The robust, scalable

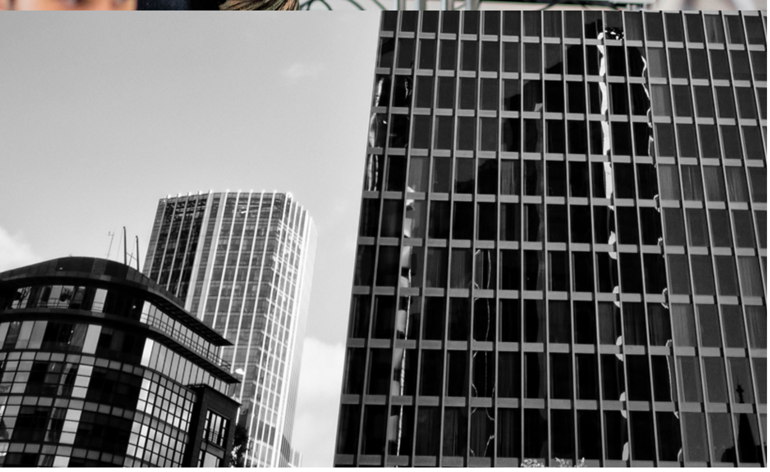
infrastructure provides positive leverage on the investments and customizations that are made in the platform on an ongoing basis as they continuously improve the offering.

Right from the start, the platform's technical design is developed so it can be adapted to new needs and varying functionality. As an independent supplier, Cinnober has enjoyed the freedom to develop a technical platform that is flexible and adaptable, while many competitors originally built their systems based on a specific marketplace or a specific asset class. The fundamental flexibility in Cinnober's offering is a major strength in today's changing world and means that the company's solutions can quickly be adapted to new requirements from the market.

BANKS NEED NEW SOLUTIONS

Cinnober's product philosophy is also based on looking beyond customers' current requirements and predicting the needs of tomorrow. An important future target group is the banks, which need new and more efficient systems to be able to meet demands resulting from new regulations, and that also need to address the threat from challenger banks based on new technology. Banks that act as intermediaries for operators in the financial market will need to improve the efficiency of both their risk management and reporting of customer transactions made in or outside exchanges.





The basic analysis for the investment in broadening the target group to also include banks and brokers is that they have a growing need for the kind of technology and products that Cinnober traditionally offers. In contrast to the major marketplaces and clearinghouses, the banks tend to prefer buying services rather than systems. The current offering directed at banks is primarily reporting services through the subsidiary Boat and client clearing through a newly formed subsidiary with a focus on further adapting Cinnober's already established clearing technology.

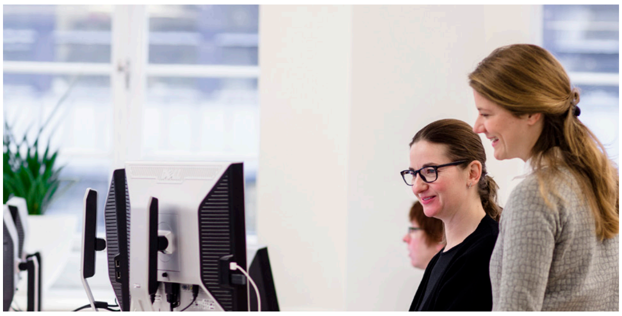
OUR EMPLOYEES

Cinnober is an innovative knowledge company operating in a traditional, yet constantly changing and international industry. This brings opportunities and challenges alike and pervades the business culture to a considerable extent.

The customer list includes some of the international financial sector's largest and most demanding customers, which imposes rigorous demands on our organization's flexibility, transparency and innovativeness.

AGILE AND CUSTOMER-ORIENTED

Around 300 people in total work at the company's offices in Stockholm, Umeå, London and New York. The vast majority work daily with customer-oriented projects according to agile project methods. A well-distributed division of responsibility with short decision pathways gives the company an agile organization with a great deal of commitment.



It is important that Cinnober constantly strives to be an attractive employer, both in relation to existing and potential employees. For the fourth consecutive year and against considerable competition, the company has been ranked on lists of both Sweden's 100 most attractive employers and Sweden's 100 best career companies.

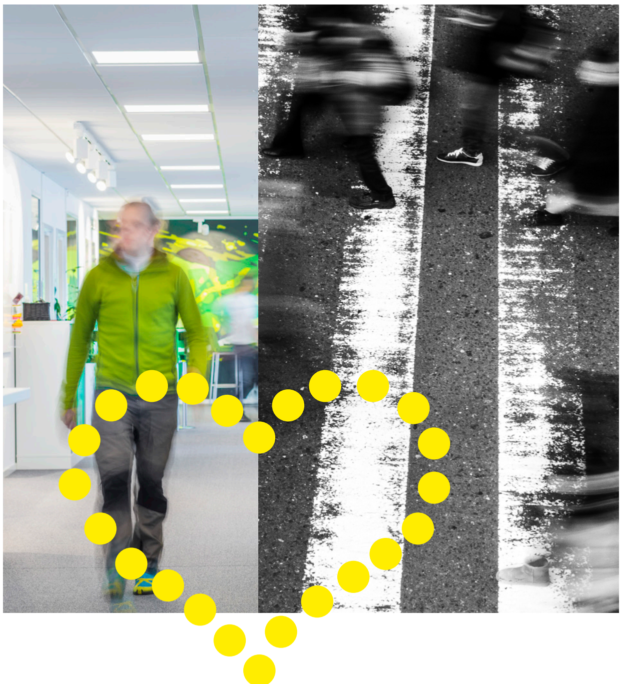
Almost all Cinnober's employees have a university education and many have extensive industry experience as well. Cinnober has an explicit ambition to work based on a diversity perspective, which greatly benefits both the company and our customers. Our diversity perspective is characterized by a workforce representing some 40 different nationalities, a wide age span and a good gender distribution.

The employees' specialist knowledge, experience and driving forces are of the greatest importance. The company actively strives to offer a good working climate with challenging tasks. The objective is to recruit and retain top talents and offer exciting opportunities for continuous skills development.

HACKATHON OF AND BY EMPLOYEES

A popular employee-driven initiative has been the 'ShipIt Days', which are arranged twice a year. ShipIt means that all employees, often in small groups, during a 24-hour hackathon, are offered the opportunity to invent and deliver projects and ideas that are entirely their own.

The subject areas can range from exploring new technology, developing a business initiative and devoting time to solving an identified challenge, to improve product development, for example. From experience, many new ideas that improve and develop Cinnober's and customers' operations are brought to fruition by unleashing employees' enthusiasm and creativity in this way in a whole range of areas.



INTERNSHIPS AND RECRUITMENT

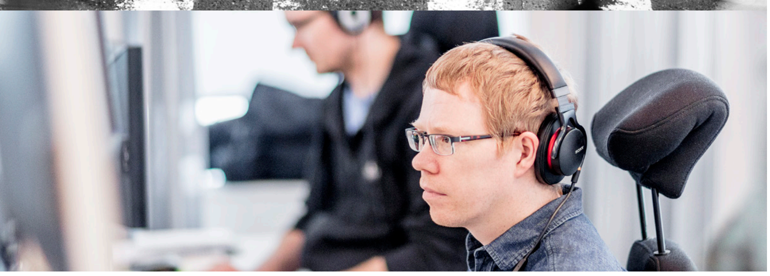
For many years now, the company has also been offering internships, in which outstanding university students in their final year are able to combine their studies with part-time work at Cinnober. This has further improved opportunities to recruit talent straight from colleges and universities.

Over the financial year, appointments were made with the aim of recruiting people with considerable relevant experience, as well recently graduated engineers. A substantial workload in customer projects and growth initiatives has led to an increase in the workforce during the year. At the end of the year, the Group had 288 employees and also engaged the services of 24 external consultants.

VÄSTERBOTTEN VENTURE

In Umeå in Northern Sweden, Cinnober joined forces with the business community, the municipality and the university as part of a long-term venture to establish a financial IT cluster – an investment that is considered to be important for the company's future development and recruitment prospects. Cooperation with other local organizations has resulted, among other things, in an internationally unique educational program in financial IT at Umeå University.

Several other future-oriented activities have been assigned to Cinnober's Umeå operations. The trainee program 'cinCube' is based here and the company also regularly participates in various cross-functional student projects in partnership with the local university.



BOARD OF DIRECTORS, AUDITOR AND SENIOR MANAGEMENT

Cinnober's Board of Directors currently comprises six individuals who were elected by the Annual General Meeting on May 11, 2016. The shareholdings reported below refer to December 31, 2016.

Nils-Robert Persson
Chairman of the Board, born 1956
Shareholdings: 1,166,469
Occupation: Employee of Cinnober Financial Technology AB
Other assignments: Board Member of Möllan Konsult AB.

Patrik Enblad
Board Member, born 1966
Shareholdings: 180,362
Occupation: Investor in public and private companies
Other assignments: Chairman of BJ8 Partner AB. Board Member of Confidence International AB, Degoo Backup AB, Patrik Enblad Konsult AB, Patrik Enblad Holding AB and Royal Swedish Yacht Club.

Cecilia Lager
Board Member, born 1963
Shareholdings: -
Occupation: Board appointments
Other assignments: Board Member of Altor Fund Manager AB, Capacent Holding AB, Collector AB, Elanders AB, Evolution Gaming AB and NC Lahega AB.

Peter Lenti
Board Member, born 1957
Shareholdings: 322,001
Occupation: Employee of Cinnober Financial Technology AB
Other assignments: -

Staffan Persson
Board Member, born 1956
Shareholdings: 475,698
Occupation: CEO of Swedia Capital AB
Other assignments: Chairman of Swedia Capital AB, Darkathlon AB, Sveab Holding AB, Synthetic MR AB (publ), Nortal Investments AB, Nortal Capital AB, Swedia HighP AB and Swedia Fastigheter AB. Board Member of Oscar Properties AB, Quizz Golf AB, The Lexington Company AB, Dooba Holdings Ltd, Land Promotions Ltd and Anglo Scandinavian Estates SA.

Helena Westin
Board Member, born 1961
Shareholdings: 400
Occupation: CEO of Helena Westin AB
Other assignments: Board Member of Identity Works AB, QX Förlag AB, Rättviseförmedlingen, RFSL Media & Info AB, RFSL Insamlingsstiftelsen, Stockholm Head Hunting AB and Sveriges Television AB.

All reported holdings on pages 16-17 include family and/or privately held company holdings.

Senior Management

Veronica Augustsson
CEO
With the company since: 2002
Born: 1979
Shareholdings: 24,259

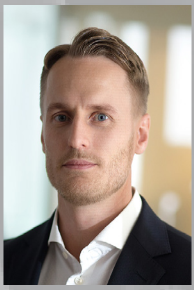
Thomas Bendixen
General Counsel
With the company since: 2016
Born: 1961
Shareholdings: -

Per-Anders Häll-Bedman
Deputy CEO
With the company since: 2002
Born: 1961
Shareholdings: 19,600

Kristin Mörth
Head of People Management
With the company since: 2016
Born: 1977
Shareholdings: -

Peter Lenti
CTO
With the company since: 1998
Born: 1957
Shareholdings: 322,001

Peter Nöjd
Head of Customization
With the company since: 2015
Born: 1957
Shareholdings: -



Johan Rönnestig
COO
With the company since: 2015
Born: 1982
Shareholdings: 1,500

Revisor

Svante Forsberg
Born 1952, Authorized Public Accountant, Deloitte AB.

Auditor in charge for Cinnober Financial Technology AB since 2004.

SHARE DATA

Since September 29, 2014, the company's shares have been traded on the Nasdaq First North exchange (CINN, ISIN code: SE0000778474). Shares were previously traded monthly on the Alternativa Aktiemarknaden (Alternative Stock Market).

As per December 31, 2016, the company's capital stock totaled SEK 6,549,120 (6,549,120), consisting of 6,549,120 shares (6,549,120). The average number of shares during the financial year amounted to 6,549,120 (6,549,120).

During the financial year, a total of 1,072,950 shares were traded and the latest price paid was SEK 199.0 on December 30, 2016.

First North

First North is an alternative marketplace for Nordic growth companies and is mainly designed for small and medium-sized companies. It does not have the same legal status as a regulated market and the regulations are slightly less in scope than those that apply to the stock market's major marketplaces.

All companies whose shares are traded on First North have a Certified Adviser who monitors the company's compliance with First North's regulations as regards the provision of information for the market and investors. Cinnober's appointed Certified Adviser is Avanza.

Outstanding share warrants

As part of its incentive program, Cinnober has always offered employees a stake in the company. The purpose of the incentive programs is to encourage employee interest in the Group's operations and highlight the link between employee benefits and the company's earnings trend. The Group does not incur any costs from the programs other than costs relating to administration.

The Annual General Meeting on October 31, 2013, adopted an options program comprising a maximum of 100,000 share warrants, giving entitlement to subscribe to a total of 300,000 shares at a strike price of SEK 86.67 per share. Each share warrant entitles the subscriber to subscribe to three new shares in Cinnober Financial Technology AB (publ) on the exercise date January 15, 2017. A total of 99,800 share warrants were acquired by the company's employees at a commercial premium of SEK 1.65 per warrant. The premium was established in accordance with the Black-Scholes option pricing model. On the exercise date after the close of the financial year, 235,608 shares were subscribed to, increasing the company's capital stock by SEK 235,608.

The Annual General Meeting on May 11, 2016, adopted a new options program comprising a maximum of 300,000 share warrants, giving entitlement to subscribe to a total of 300,000 shares in Cinnober Financial Technology AB (publ). Share subscription with the support of the share warrants can be carried out between August 31, 2018, and January 15, 2019, at a subscription price of SEK 140.0 per share. A total of 246,500 warrants were acquired by the company's employees at a commercial premium of SEK 1.51 per warrant. The premium was established in accordance with the Black-Scholes option pricing model. If all warrants are subscribed to, the company's capital stock will increase by SEK 246,500

Ownership structure

As of December 31, 2016, Cinnober had a total of 937 shareholders, of which the largest shareholders listed with percentage of voting rights and equity were:

Shareholder	Number of shares	Votes/Capital %
Nils-Robert Persson*	1 166 469	17.8
Gunnar Lindell*	479 309	7.3
Nortal Capital AB	475 698	7.3
Swedbank Robur Ny Teknik BTI	385 000	5.9
Försäkringsaktiebolaget, Avanza Pension	361 506	5.5
Peter Snellman*	334 875	5.1
Peter Lenti*	322 001	4.9
Unionen	260 000	4.0
Humle Småbolagsfond	195 000	3.0
Magnus Grafström	170 400	2.6

* Including family and/or privately held company holdings.

FINANCIAL INFORMATION

Cinnober's financial information is published in Swedish and English.
Interim and annual reports are available at www.cinnober.com/financial-reports.

ANNUAL GENERAL MEETING

Time

The Annual General Meeting of the shareholders in Cinnober Financial Technology AB (publ), corporate identity number 556548-9654, will be held on May 16, 2017, at 5.00 p.m.

Location

Cinnober Financial Technology AB,
Kungsgatan 36, Stockholm, Sweden

Right to Participate

To have voting rights at the AGM, the shareholder must be registered in the share register on May 10, 2017.

Registration in the share register

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

Nominee shareholders wishing to participate must therefore temporarily register the shares in their own names.

Registration must be completed no later than May 10, 2017, which means that shareholders must notify the nominee well in advance of that date.

Notification

Shareholders wishing to participate in the AGM must submit notification of their intention to take part no later than Friday, May 12, 2017. Notification shall be submitted in writing to Cinnober Financial Technology AB (publ), Kungsgatan 36, 111 35 Stockholm, Sweden, or by email to ir@cinnober.com. When submitting notification, shareholders should supply their name, personal or corporate identity number, address, phone number and registered shareholding.

FINANCIAL CALENDAR

Interim report for January 1–March 31, 2017: **May 4, 2017.**

Annual General Meeting: **May 16, 2017.**

Interim report for January 1–June 30, 2017: **August 24, 2017.**

Interim report for January 1–September 30, 2017: **November 9, 2017.**

Year-end report 2017: **February 22, 2018.**

FINANCIAL DEFINITIONS

EBITDA	Operating profit before amortization, depreciation and impairment.
EBITDA margin	EBITDA as a percentage of net sales.
Equity per share	Equity divided by the number of shares before dilution at the end of the period.
Quick ratio	Current assets as a percentage of current liabilities.
Net margin	Profit after tax as a percentage of net sales.
Net debt/ Net cash	Cash and cash equivalents and interest-bearing current and non-current receivables less interest-bearing current and non-current liabilities, including pension liabilities.
Earnings per share	Profit after tax attributable to shareholders in the Parent Company divided by the average number of shares before and after dilution respectively.
Return on eqity	Profit after tax for the past 12 months as a percentage of average equity for the past 12 months.
Operating margin	Operating profit as a percentage of net sales.
Equity ratio	Equity as a percentage of total assets.

COMMERCIAL DEFINITIONS

Cinnober operates primarily in a global niche involving system deliveries to marketplaces and clearinghouses. The agreements signed generally involve software/systems, normally including a number of customized adaptations to the customer's existing systems, support and operative organization. Development projects and customer relationships within the niche span extended periods and there are almost always several phases involved depending on other factors, sub-orders and options for supplementary systems or additional services. It is therefore often difficult to estimate and specify a precise order value in connection with a contract being signed for a new deal.

To help the market assess the value of the deals won by Cinnober, the following definitions have been established.

A major deal is one for which the order value over a period of five years is estimated to exceed SEK 100 million.

A smaller deal is one for which the order value over a period of five years is estimated to be less than SEK 30 million.

A medium-sized deal is one for which the order value over a period of five years is estimated to be in between that of a smaller deal and a major one.

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 accounts for the financial year January 1–December 31, 2016 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 and the supplementary disclosures and notes, which together make up the annual accounts.

Cinnober Financial Technology AB is an IT company that develops world-leading system solutions for exchange trading, clearing and risk management based on its proprietary TRADExpress platform.

The company operates in a global market with customers around the world. The target group encompasses major financial operators – such as exchanges, clearinghouses, banks and brokers – located in both traditional financial centers and in newer emerging markets.

Cinnober offers technology solutions aimed at enhancing its customers' competitiveness and streamlining their operations. Cinnober's competitive advantages include products that can be rapidly and cost-effectively adapted to the specific needs of each customer.

The company's organization and working methods are primarily suited to large and business-critical projects, with sales processes that often extend over a considerable period of time. In recent years, Cinnober has supplemented its business with a more standardized and service-based offering aimed at a broader target group.

The company prioritizes long-term relationships and the continued development of its offering in dialog with customers.

SIGNIFICANT EVENTS OVER THE YEAR

The largest and most significant deal during the year in our core operations was Japan Exchange Group's (JPX) decision to choose Cinnober as the supplier of a real-time clearing solution for the entire Japanese derivatives market. This was followed by a supplemental deal in which the company will also supply a solution for advanced risk calculations for all traded instruments. Cinnober is a key partner in JPX's ambitious 'Grand Design' project, in which the aim is to build a global market-leading infrastructure for trading in financial instruments. The system solutions from Cinnober are to undergo acceptance testing during 2017, for operational launch in 2018.

All ongoing customer projects – with some of the largest being for British London Metal Exchange, Brazilian B3 (formerly, BM&FBOVESPA) and the Australian Securities Exchange – have progressed according to plan during the year.

A key element of Cinnober's long-term strategy is to broaden the customer base to include banks and brokers, which will be offered service solutions based on the company's existing technology. A reporting service for OTC trading is provided via the subsidiary Boat, in accordance with MiFID I regulations and the forthcoming MiFID II regulations. The service is well placed ahead of the introduction of MiFID II in January 2018, when reporting of additional asset classes will become compulsory. In 2016, Boat launched a service in cooperation with London Stock Exhange, offering the market a one-stop-shop for reporting OTC transactions: TRADEcho.

Furthermore, the company is working to adapt its existing real-time clearing technology based on the needs of major banks and brokers within client clearing. During the year, a decision was taken to develop this business area by placing the rights to the technology in a separate subsidiary, tasked with commercializing the offering. The subsidiary will offer banks and their customers the opportunity to gain, in real time, a comprehensive overview of their risk exposure in different markets. Because the technology is able to handle all of the asset classes traded, as well as trade conducted both within and outside an exchange, it facilitates more efficient use of capital and provides operational efficiencies.

EXPECTED FUTURE DEVELOPMENTS AND SIGNIFICANT RISKS AND UNCERTAINTIES

Cinnober's operations are affected by a number of factors, some of which are within the company's control while others are not. The following description of risk factors does not claim to be exhaustive, and the risks have not been ranked by degree of significance. Additional risks that are, as yet, unknown to the company may have a material impact on its business, financial position and/or earnings. Risk factors are not described in detail; a complete assessment must include all of the information provided in this annual report, while also taking an evaluation of external influences into account. The factors described below are considered to be especially important to the company's future development.

Anticipated development

The anticipated development depends on various external factors, such as the global economic situation and customers' development and investment needs.

Cinnober's strengths include a solid position as a leading supplier of innovative technology to exchanges and clearinghouses around the world. The global distribution of customers also means that the company does not risk becoming dependent on recessions or weak currencies in individual countries.

In addition, factors such as regulatory changes drive the speed of investments, for example in clearing technology. Many of the expected regulations have been implemented or are about to come into force, which will gradually reduce the level of uncertainty among market operators.

Cinnober is implementing a strategic investment in broadening the target group to include international banks and brokers. The subsidiary Boat provides a reporting service for OTC trading, in accordance with MiFID I and MiFID II regulations. During the year, a decision was also taken to develop the client clearing business area by placing the rights to the technology in a separate subsidiary, tasked with commercializing the offering.

Accordingly, Cinnober's ambition is to establish a strong position in a new market, which in the long term makes the company less sensitive to downturns within individual segments. This entails initial investments in technology, extended support and the sales organization.

The above, in combination with a well-positioned product and service portfolio in the company's traditional market, where an increased willingness to invest can be perceived, contributes to a positive view of the coming year.

Risk factors

As with all business operations, Cinnober's operations entail risks. The approach to risk management is of fundamental importance for the Group's success. The management of these risks therefore constitutes a natural and integral part of the Group's strategic efforts. For an IT company like Cinnober, operations are mainly affected by operational risks, market-related risks and financial risks.

Operational risks

Operational risks constitute part of day-to-day work and can often be influenced. For Cinnober, operational risks include project risks, recruitment, competition, the performance of major clients and customer losses.

In the case of fixed-price projects, the company is exposed to a risk that the project cannot be completed within the set budget and/or within the given timeframe. At the same time, major projects also provide opportunities to improve profitability through efficiency gains. Cinnober's future is highly dependent on the ability to recruit, retain and develop skilled employees and key individuals. The Group also works continuously to broaden its customer base to reduce its dependency on individual customers.

Market-related risks

Market-related risks relate to events and changes in the markets where Cinnober operates, which may affect the conditions for meeting set objectives. Market-related risks are governed by external factors and include events that are difficult for Cinnober to influence, but which the company must relate to, such as business cycle risks. Cinnober's operations risk being negatively affected if there is a decline in the volumes traded on the world's exchanges and willingness to invest among market operators therefore falls. Dependence on exchanges and clearinghouses is expected to decrease as the company is working according to a long-term strategy to broaden the customer base within new segments, primarily banks and brokers.

Financial risks

Cinnober's financial risks chiefly constitute exchange rate risks. Cinnober operates in an international market, and a considerable portion of Cinnober's sales emanate from sales outside Sweden and in foreign currencies, which means that exchange rate fluctuations affect the Group's income statement and balance sheet. At the same time, most of the Parent Company's costs are in SEK. Currency risk exposure arises in connection with the sale and purchase of foreign currencies (transaction exposure) and when the income statements and balance sheets of foreign subsidiaries are translated into SEK (translation exposure). Most translation exposure arises through customer contracts in foreign currencies.

RESEARCH AND DEVELOPMENT

Cinnober is a market-leading supplier to exchanges and clearinghouses. To safeguard a long-term leading position, resources are continuously invested in the ongoing development of the product and service portfolio. Cinnober has not capitalized the substantial expenses that have historically been incurred to develop the market-leading trading and real-time clearing systems that the company currently offers to the market. The same applies to the comprehensive initiative undertaken to develop the client clearing technology, which is planned to be ready to enter production within the next six months. Cinnober owns the intellectual property rights to all these systems.

In 2016, Cinnober capitalized outlays for development work regarding a proprietary intangible asset. The asset is related to the software platform for reporting transactions in accordance with changed regulatory requirements that Boat will offer the market under the TRADEcho brand, together with London Stock Exchange. The initiative is expected to generate revenues from 2017 and onwards. Consolidated capitalized expenditures for development work and the like amounted to SEK 16.7 million at December 31, 2016, of which SEK 16.4 million pertained to the proprietary software platform and SEK 0.3 million pertained to purchased software and licenses.

ORGANIZATION

The Board of Directors, which was elected by the Annual General Meeting in May 2016, consists of Nils-Robert Persson, Helena Westin, Peter Lenti, Staffan Persson, Cecilia Lager and Patrik Enblad. Nils-Robert Persson is the Chairman of the Board. Further information about the Board can be found on the company's website at www.cinnober.com/board and on page 16.

Cinnober has its head office in Stockholm and also conducts operations in Umeå, London and New York.

EMPLOYEES

Cinnober has an explicit ambition to work based on a diversity perspective, which greatly benefits both the company and our customers. Our diversity perspective is characterized by a workforce representing some 40 different nationalities, a wide age span and a good gender distribution.

The average number of employees in the Group amounted to 263 (242) during the financial year. At the end of the financial year, the Group had 288 (252) employees and 24 (7) contracted consultants.

PROFITS

Consolidated sales for the financial year January 1–December 31, 2016 totaled SEK 330.9 million (300.5), and profit before tax for the year was SEK 8.8 million (loss: 22.0).

Operating expenses include personnel costs, which amounted to SEK 209.9 million (201.6) during the financial year. Other external costs totaled SEK 129.5 million (99.3).

Cinnober invests continuously in the TRADExpress product family. Since most of the development is an integral part of major customer projects, the company charges all development costs for TRADExpress against earnings on an ongoing basis. Investments in product development with regard to TRADExpress totaled SEK 53.5 million (55.6) during the year.

Depreciation/amortization according to plan for the year amounted to SEK 2.2 million (2.3). The net effect of changes in exchange rates during the year was SEK 0.8 million (negative SEK 2.7 million).

CURRENCY EXPOSURE

Cinnober's revenue during the year is allocated between the following currencies: EUR 40% (37%), USD 37% (31%), GBP 10% (20%) and SEK 13% (12%). The company hedges parts of its flow exposure from non-recurring income in foreign currencies through currency futures.

Disclosures regarding the company's financial instruments, targets and principles applied for financial risk control, along with a description of the application of hedge accounting can be found under Note 4. Note 4 also contains details and a description of financial risks.

INVESTMENTS AND NON-CURRENT ASSETS

Besides the investments in product development described above, the company has invested SEK 0.8 million (2.5) in equipment.

For several years, Cinnober has held shares in US companies Binary Event Networks Inc. and Quadriserv Inc. A decision was made in 2015 to write down the book values in their entirety.

FIVE-YEAR SUMMARY – 12 MONTHS

Group	12-31-2016	12-31-2015[1]	12-31-2014[1]	12-31-2013[2]	12-31-2012[2]
Net sales (SEK million)	330.9	300.5	270.1	293.3	282.9
Operating profit (SEK million)	9.5	16.0	-3.4[4]	4.5[5]	21.7[6]
Profit before tax (SEK million)	8.8	-22.0[3]	0.6[4]	3.0[5]	28.8[6]
Profit for the period (SEK million)	4.4	-27.9[3]	1.4[4]	3.5[5]	23.8[6]
Operating margin (%)	2.9	5.3	-1.2[4]	1.5[5]	7.7[6]
Net margin (%)	1.3	-9.3[3]	0.5[4]	1.2[5]	8.4[6]
Earnings per share before/after dilution* (SEK)	0.67 / 0.62	-4.26 / -4.26[3]	0.21 / 0.20	0.54 / 0.50	3.64 / 3.14
Equity (MSEK)	82.6	91.0	118.4	116.6	127.8
Equity per share* (SEK)	12.61	13.89	18.07	17.81	19.51
Equity ratio (%)	35.4	43.2	48.8	54.1	58.8
Quick ratio (%)	137.1	169.4	160.6	175.7	208.7
Net cash (+)/net debt (-) (SEK million)	86.1	57.7	54.1	8.3	32.7

[1] In connection with the Group's transition to the K1 accountancy regulations issued by the Swedish Accounting Standards Board, foreign exchange gains and losses from operations are reported Other operating revenue and Other operating expenses respectively. Re-invoiced expenses are reported gross as revenue (Net sales) and corresponding expenses (Other external expenses). The year has been restated in accordance with K3.

[2] No restatement in accordance with K3 has been made for this year.

[3] Profit was charged with non-recurring costs of SEK 36.8 million due to the impairment of shares in the companies Binary Event Networks Inc and Quadriserv Inc.

[4] Operating profit for the year July 1, 2014 - December 31, 2014 includes a reversal of negative goodwill, affecting operating profit favorably by SEK 1.0 million.

[5] Operating profit for the year July 1, 2013 - December 31, 2013 includes a reversal of negative goodwill, affecting operating profit favorably by SEK 4.9 million.

[6] Operating profit for the year July 1, 2012 - December 31, 2012 includes a reversal of negative goodwill, affecting operating profit favorably by SEK 11.8 million.

* Adjusted for a 2:1 bonus issue ratio.

Cinnober owns 176,471 shares in Binary Event Networks Inc., corresponding to 8.1% of equity. The book value amounts to SEK 0.0 million (0.0). Cinnober owns 86,685,224 shares in Quadriserv Inc., corresponding to 6.6% of equity. The book value amounts to SEK 0.0 million (0.0).

Cinnober's holding in Scila AB is reported as an associated company and amounts to 41,000 shares on the balance sheet date, corresponding to 27.9% (27.9) of equity. The book value in the Parent Company's balance sheet amounts to SEK 2.6 million (2.6).

FINANCIAL POSITION

On December 31, 2016, the Group's equity amounted to SEK 82.6 million (91.0), and the equity ratio was 35.4% (43.2%). The company reported a net cash position of SEK 86.1 million (57.7) and a positive cash flow of SEK 28.3 million (3.6) for the financial year. On December 31, 2016, the Group's current assets totaled SEK 205.8 million (202.3), of which accounts receivable were SEK 25.0 million (40.3). As of March 31, 2017, 71% of the accounts receivable recorded at year-end had been paid.

THE GROUP

In addition to the Parent Company Cinnober Financial Technology AB (publ), the Group comprises the wholly-owned foreign subsidiaries Cinnober Americas Inc. and Boat Services Ltd (domiciled in New York and London respectively), as well as the Swedish subsidiaries Cinnober Financial Technology North AB (domiciled in Umeå), Cinnober Products AB, Cinetics AB and Binary Events Systems Sweden AB (all three domiciled in Stockholm).

SHARE DATA

As per December 31, 2016, the company's capital stock totaled SEK 6,549,120 (6,549,120), consisting of 6,549,120 shares (6,549,120).

The average number of shares during the financial year amounted to 6,549,120 (6,549,120).

Since September 29, 2014, the company's shares have been traded on the Nasdaq First North exchange (CINN, ISIN code: SE0000778474). Shares were previously traded monthly on the Alternativa Aktiemarknaden (Alternative Stock Market). During the financial year, a total of 1,072,950 shares were traded and the latest price paid was SEK 199.0 on December 30, 2016.

PROPOSED DISPOSITION OF EARNINGS

The following unappropriated earnings are at the disposal of the Annual General Meeting:

Share premium reserve	15,648,030
Profit brought forward	45,242,474
Loss for the year	23,446,732
Total	**84,337,236**

The Board of Directors proposes that the unappropriated earnings at the disposal of the AGM, SEK 84,337,236, are to be allocated as follows:

Funds to be carried forward	84,337,236
Total	**84,337,236**

For information regarding the earnings and position in general of the Parent Company and the Group, please refer to the income statements, balance sheets and notes below. All amounts are expressed in SEK thousands, unless otherwise stated.

CONSOLIDATED INCOME STATEMENT

Amounts in thousands of SEK	Note	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Operating income			
Net sales	5	330 948	300 536
Capitalised work on own account		16 925	-
Other operating income	7	8 276	28 637
		356 149	**329 173**
Operating expenses			
Other external expenses	8, 16	-129 528	-99 299
Personnel expenses	9	-209 943	-201 629
Other operating expenses		-6 387	-10 248
Profit from participations in associated companies		1 459	266
Operating profit before depreciation/amortization		**11 750**	**18 263**
Depreciation/amortization and impairment of equipment and intangible assets		-2 235	-2 302
Operating profit		**9 515**	**15 961**
Profit from financial items			
Impairment of financial assets and short-term investments	10	-	-36 759
Interest income and similar income items	11	2 759	5 215
Interest expenses and similar expense items	12	-3 523	-6 380
Profit after financial items		**8 751**	**-21 963**
Profit before tax		**8 751**	**-21 963**
Tax on profit for the year	13	-4 360	-5 933
Net profit for the year		**4 391**	**-27 896**
Attributable to the Parent Company's shareholders		**4 391**	**-27 896**

CONSOLIDATED BALANCE SHEET

Amounts in thousands of SEK	Note	12-31-2016	12-31-2015
ASSETS			
Non-current assets			
Intangible assets			
Capitalized expenditures for research and development and similar	14	16 738	283
		16 738	**283**
Property, plant and equipment			
Equipment, tools, fixtures and fittings	15	4 410	5 528
		4 410	**5 528**
Financial assets			
Participations in associated companies	18	2 403	1 354
Deferred tax asset	20	3 317	748
Other long-term receivables		417	376
		6 137	**2 478**
Total non-current assets		**27 285**	**8 289**
Current assets			
Current receivables			
Accounts receivable - trade		24 992	40 333
Current tax receivables*		22 447	27 650
Other receivables		9 810	7 255
Prepaid expenses and accrued income	21	62 467	68 977
		119 716	**144 215**
Short-term investments		**-**	**366**
Cash and bank balances		**86 050**	**57 746**
Total current assets		**205 766**	**202 327**
TOTAL ASSETS		**233 051**	**210 616**

* Of which, SEK 23 953 (30 896) pertains to taxes deducted at source outside Sweden and that may be deducted against future Swedish corporation tax.

CONSOLIDATED BALANCE SHEET (CONT.)

Amounts in thousands of SEK	Note	12-31-2016	12-31-2015
EQUITY AND LIABILITIES			
Equity			
Share capital (6 549 120 shares)		6 549	6 549
Other contributed capital		18 567	18 567
Other equity, including profit/loss for the year		57 498	65 847
Equity attributable to the Parent Company's shareholders		**82 614**	**90 963**
Total equity		**82 614**	**90 963**
Provisions			
Deferred tax liability	20	319	212
		319	**212**
Current liabilities			
Accounts payable - trade		20 889	17 594
Other liabilities		9 693	7 366
Accrued expenses and deferred income	22	119 536	94 481
		150 118	**119 441**
TOTAL EQUITY AND LIABILITIES		**233 051**	**210 616**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in thousands of SEK	Share capital	Other contri-buted capital	Other equity, including profit/loss for the period	Total equity attributable to the Parent Company's shareholders	Total equity
	Equity attributable to the Parent Company's shareholders				
Opening balance on December 1, 2015	**6 549**	**18 567**	**93 258**	**118 374**	**118 374**
Profit for the year			-27 896	-27 896	-27 896
Changes in the carrying amount of assets and liabilities:					
Translation difference			485	485	485
Total changes in value	-	-	**485**	**485**	**485**
Closing balance on December 31, 2015	**6 549**	**18 567**	**65 847**	**90 963**	**90 963**

Share capital 6 549 120 shares with a quota value of SEK 1.

Amounts in thousands of SEK	Share capital	Other contri-buted capital	Other equity, including profit/loss for the period	Total equity attributable to the Parent Company's shareholders	Total equity
	Equity attributable to the Parent Company's shareholders				
Opening balance on January 1, 2016	**6 549**	**18 567**	**65 847**	**90 963**	**90 963**
Profit for the year			4 391	4 391	4 391
Changes in the carrying amount of assets and liabilities:					
Translation difference			-14	-14	-14
Employee share-option program			372	372	372
Dividends to shareholders			-13 098	-13 098	-13 098
Total changes in value	-	-	**-12 740**	**-12 740**	**-12 740**
Closing balance on December 31, 2016	**6 549**	**18 567**	**57 498**	**82 614**	**82 614**

Share capital 6 549 120 shares with a quota value of SEK 1.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in thousands of SEK	Note	01-01-2016- 12-31-2016	01-01-2015- 12-31-2015
Operating activities			
Profit after financial items		8 751	-21 963
Adjustments for non-cash items	24	6 952	42 965
Income tax paid		-8 775	763
Cash flow from operating activities before working capital changes		**6 928**	**21 765**
Cash flow from working capital changes			
Increase (-)/Decrease (+) in current receivables		20 587	-10 989
Increase (+)/Decrease (-) in current liabilities		30 677	-4 558
Cash flow from operating activities		**58 192**	**6 218**
Investing activities			
Purchase of intangible assets		-16 703	-154
Purchase of equipment		-869	-2 453
Dividends received		410	-
Cash flow from investing activities		**-17 162**	**-2 607**
Financing activities			
Received warrant premiums		372	-
Dividend paid to Parent Company’s shareholders		-13 098	-
Cash flow from financing activities		**-12 726**	**-**
Cash flow for the year		**28 304**	**3 611**
Cash and cash equivalents at the beginning of the year		**57 746**	**54 135**
Cash and cash equivalents at the end of the year	25	**86 050**	**57 746**

PARENT COMPANY INCOME STATEMENT

Amounts in thousands of SEK	Note	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Operating income			
Net sales	5, 6	350 438	293 135
Other operating income	7	7 737	28 557
		358 175	**321 692**
Operating expenses			
Other external expenses	8, 16	-169 029	-132 879
Personnel expenses	9	-151 153	-152 436
Other operating expenses		-5 390	-10 145
Operating profit before depreciation/amortization		**32 603**	**26 232**
Depreciation/amortization and impairment of equipment and intangible assets		-1 153	-1 264
Operating profit		**31 450**	**24 968**
Profit from financial items			
Participations in associated companies		410	-
Impairment of financial assets and short-term investments	10	-	-36 759
Interest income and similar income items	11	2 094	5 224
Interest expenses and similar expense items	12	-3 350	-5 994
Profit after financial items		**30 604**	**-12 561**
Profit before tax		**30 604**	**-12 561**
Tax on profit for the year	13	-7 157	-5 716
Profit for the year		**23 447**	**-18 277**

PARENT COMPANY BALANCE SHEET

Amounts in thousands of SEK	Note	12-31-2016	12-31-2015
ASSETS			
Non-current assets			
Intangible assets			
Capitalized expenditures for research and development and similar*	14	307	283
		307	**283**
Property, plant and equipment			
Equipment, tools, fixtures and fittings	15	1 351	1 991
		1 351	**1 991**
Financial assets			
Participations in Group companies	17	21 196	21 196
Participations in associated companies	18	2 610	2 610
Deferred tax	20	455	748
Other long-term receivables		82	79
		24 343	**24 633**
Total non-current assets		**26 001**	**26 907**
Current assets			
Current receivables			
Accounts receivable - trade		22 045	36 921
Receivables from Group companies		46 271	8 361
Current tax receivables*		21 396	27 256
Other receivables		7 424	6 672
Prepaid expenses and accrued income	21	59 068	65 190
		156 204	**144 400**
Short-term investments		**-**	**366**
Cash and bank balances		**81 794**	**54 423**
Total current assets		**237 998**	**199 189**
TOTAL ASSETS		**263 999**	**226 096**

* Of which, SEK 23 953 (30 896) pertains to taxes deducted at source outside Sweden and that may be deducted against future Swedish corporation tax.

PARENT COMPANY BALANCE SHEET

Amounts in thousands of SEK	Note	12-31-2016	12-31-2015
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (6 549 120 shares)		6 549	6 549
Statutory reserve		18 009	18 009
		24 558	**24 558**
Non-restricted equity			
Capital surplus		15 648	15 276
Profit brought forward		45 242	76 618
Profit for the year		23 447	-18 277
		84 337	**73 617**
Total equity		**108 895**	**98 175**
Untaxed reserves			
Accumulated excess depreciation		745	745
		745	**745**
Current liabilities			
Accounts payable -trade		18 236	15 960
Liabilities to Group companies		28 012	26 944
Other liabilities		3 370	2 414
Accrued expenses and deferred income	22	104 741	81 858
		154 359	**127 176**
TOTAL EQUITY AND LIABILITIES		**263 999**	**226 096**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted equity		*Non-restricted equity*			
Amounts in thousands of SEK	Share capital	Statutory reserve	Capital surplus	Profit brought forward	Profit of the year	**Total equity**
Opening balance on January 1, 2015	**6 549**	**18 009**	**15 276**	**74 129**	**2 489**	**116 452**
Allocation of the previous year´s result				2 489	-2 489	0
Profit for the year					-18 277	-18 277
Closing balance on December 31, 2015	**6 549**	**18 009**	**15 276**	**76 618**	**-18 277**	**98 175**

Share capital 6 549 140 shares with a quota value of SEK 1.

			Non-restricted equity			
Amounts in thousands of SEK	Share capital	Statutory reserve	Capital surplus	Profit brought forward	Profit of the year	**Total equity**
Opening balance on January 1, 2015	**6 549**	**18 009**	**15 276**	**76 618**	**-18 277**	**98 175**
Allocation of the previous year´s result				-18 277	18 277	0
Profit for the year					23 447	23 447
Changes in the carrying amount of assets and liabilities:						
Employee share-option program			372			372
Dividend to shareholders				-13 098		-13 098
Closing balance on December 31, 2016	**6 549**	**18 009**	**15 648**	**45 242**	**23 447**	**108 895**

Share capital 6 549 120 shares with a quota value of SEK 1.

PARENT COMPANY CASH FLOW STATEMENT

Amounts in thousands of SEK	Note	01-01-2016- 12-31-2016	01-01-2015- 12-31-2015
Operating activities			
Profit after financial items		30 604	-12 561
Adjustments for non-cash items	24	7 235	41 425
Income tax paid		-8 054	734
Cash flow from operating activties before working capital changes		**29 785**	**29 598**
Cash flow from working capital changes			
Increase (-)/Decrease (+) in current receivables		-16 334	-7 354
Increase (+)/Decrease (-) in current liabilities		27 183	-2 701
Cash flow from operating activities		**40 634**	**19 543**
Investing activities			
Purchase of intangible assets		-272	-154
Purchase of equipment		-265	-222
Cash flow from investing activities		**-537**	**-376**
Financing activities			
Received warrant premiums		372	-
Dividend paid to Parent Company's shareholders		-13 098	-
Cash flow from financing activities		**-12 726**	**-**
Cash flow for the year		**27 371**	**19 167**
Cash and cash equivalents at the beginning of the year		**54 423**	**35 256**
Cash and cash equivalents at the end of the year	25	**81 794**	**54 423**

NOTES

Amounts are stated in thousands of SEK, unless otherwise indicated.

Note 1 General information

Cinnober Financial Technology AB, corporate identity number 556548-9654, is a limited liability company registered in Sweden and domiciled in Stockholm. The address of the company's head office is Kungsgatan 36, SE-111 35 Stockholm, Sweden. The company and its subsidiaries (the 'Group') is an IT company that develops world-leading system solutions primarily for exchange trading, clearing and risk management.

Note 2 Accounting and valuation policies

Cinnober Financial Technology AB applies the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's recommendation BFNAR 2012:1 Annual and consolidated financial statements ('K3').

Consolidated financial statements

The consolidated financial statements include the Parent Company, Cinnober Financial Technology AB, and the companies in which the Parent Company, directly or indirectly, has a controlling interest (subsidiaries). A controlling interest entails a right to formulate a company's financial and operational strategies with the aim of obtaining financial benefits. The assessment of whether there is a controlling interest must take into account holdings of financial instruments that potentially provide entitlement to vote and which can be used or converted immediately to equity instruments providing entitlement to vote. Consideration must also be taken to whether the company is able to govern the business through an agent. A controlling interest normally exists where the Parent Company directly or indirectly holds shares representing more than 50% of the votes.

The revenues and expenses of a subsidiary are included in the consolidated financial statements from the time of acquisition up to the point at which the Parent Company no longer has a controlling interest in the subsidiary. Refer to the 'Business combinations' section below for a presentation of acquisitions and divestments of subsidiaries.

The accounting policies for subsidiaries are consistent with those of the Group. All intra-Group transactions, dealings and unrealized gains and losses relating to intra-Group transactions have been eliminated in the preparation of the consolidated financial statements.

Business combinations

Business combinations are reported according to the purchase method.

The purchase price of the business combination is valued at fair value at the time of acquisition, which is calculated as the total fair value at the time of acquisition of the assets acquired, liabilities arising or assumed, as well as equity instruments issued and expenses directly attributable to the business combination. Examples of such expenses are transaction costs. The purchase price includes contingent consideration on condition that it is likely at the time of acquisition that the purchase price will be adjusted at a later time and that the amount can be reliably estimated. The acquisition value (cost) of the acquired unit is adjusted on the closing date and when the final purchase price is determined, although not later than one year after the acquisition date.

The identifiable acquired assets and assumed liabilities are recognized at fair value at the time of acquisition, with the following exceptions:

- pension commitments are determined according to K3 Chapter 28 Employee benefits,
- deferred tax assets and deferred tax liabilities are determined according to K3 Chapter 29 Income tax,
- liabilities for share-based payments are determined according to K3 Chapter 26 Share-based payments,
- intangible assets without an active market, and
- contingent liabilities valued according to K3 Chapter 21 Provisions, contingent liabilities and contingent assets.

A provision that pertains to expenses for the restructuring of the acquired entity's operations is only included in the acquisition analysis insofar as the acquired entity meets the conditions for recognizing a provision before the time of acquisition.

Valuation of a minority share of assets and liabilities at the time of acquisition

In the acquisition of less than all participations of the acquired entity, the value of the minority interest is set at cost. The minority share of the acquired entity's assets and liabilities, including goodwill or negative goodwill, is valued at fair value.

Goodwill and negative goodwill

For business combinations where the total of the purchase price, the fair value of the minority interest and the fair value at the time of acquisition of earlier shareholdings exceeds fair value at the time of acquisition of identifiable acquired net assets, the difference is recognized as goodwill in the consolidated balance sheet. If the difference is negative, the value of identifiable assets and liabilities shall be reviewed. Negative goodwill that corresponds to anticipated future losses is recognized as income as the losses arise. Negative goodwill that corresponds to the fair value of non-monetary assets is dissolved in the income statement during the assets' remaining weighted average useful life. The part of negative goodwill that exceeds the identifiable non-monetary assets' fair value is recognized directly in the income statement.

Changes in the holding

Acquisitions and divestments of participations in companies that are subsidiaries both before and after the change are considered to be a transaction between owners and the effect of the transaction is recognized directly in equity.

If further participations in a company that is not a subsidiary are acquired so that a controlling interest arises, the original participations in the consolidated financial statements are considered to be divested. The gain or loss, calculated as the difference between fair value and the consolidated carrying amount, is recognized in the consolidated income statement.

When the Parent Company loses a controlling interest over a subsidiary, all participations are considered to be divested and the gain or loss that arises in the divestment is recognized in the consolidated income statement. If participations remain after the divestment, they are recognized according to Chapter 11 Financial instruments valued based on cost, Chapter 14 Associated companies, with the fair value at the time of sale as cost.

Participations in associates

An associated company is a company in which the Group exercises a significant, but not controlling influence; normally, this covers companies where the Group holds 20%–50% of the votes. Participations in associates are accounted for using the equity method.

In the application of the equity method, an investment in an associated company is initially recognized at the asset's cost. The carrying amount is thereafter increased or decreased to observe the Group's share of the associated company's profit or loss after the time of acquisition. Dividends received from the associated company reduce the carrying amount of the investment. The carrying amount is also adjusted to reflect other changes in the associated company's equity.

If the Group's share of an associated company's losses amounts to or exceeds the carrying amount of the participations in the associated company, the carrying amount is reduced until it is zero. Further losses are recognized as a provision only insofar as the owner company has a legal or constructive obligation to cover the losses, or if the owner company made payments on behalf of the associated company. If the associated company recognizes a profit in future financial years, the owner company shall recognize its share of profits only when they exceed the share of the losses that have not been recognized by the owner company.

A share in the associated company's profit or loss after tax is recognized in the consolidated income statement as 'Profit/loss from participations in associates'.

Changes in the holding

If additional participations are acquired in a company that both before and after the acquisition is an associated company, the participations owned before the acquisition are not revalued. If participations in associated companies are divested so that a controlling influence no longer exists, all participations are considered to be divested and gains or losses on the divestment are recognized in the consolidated income statement. If participations remain after the divestment, they are recognized according to Chapter 11 Financial instruments valued based on cost, with the fair value at the time of sale as cost.

Revenue

Revenues are recognized at the fair value of the compensation that has been received or will be received, less value added tax, discounts, returns and similar deductions.

The Group's revenues primarily consist of project, license and support revenues..

Sales of services

Revenues from sales of services on current account are recognized as revenue in the period in which the work is carried out and materials are delivered or consumed.

Revenues from sales of fixed-price services are recognized applying the percentage of completion method. This means that revenues and expenses are recognized in relation to the assignment's degree of completion on the closing date. The degree of completion is determined through a calculation of the relationship between assignment expenditures paid for work done as of the closing date and the estimated total assignment expenditures. A possible loss on an assignment is recognized immediately as an expense. In the event that the outcome of an assignment cannot be reliably measured, revenue is recognized only in an amount corresponding to assignment expenditures incurred that will likely be reimbursed by the client. Assignment expenditures are recognized as expenses in the period in which they arise.

Support and license revenues are allocated to periods over the duration of the assignment.

Dividend

Dividend revenues are recognized when the shareholder's right to receive payment has been established.

Leases

Leasing fees in operating leases are expensed straight-line over the term of the lease, unless another systematic approach better reflects the user's financial benefit over time.

Foreign currency

The reporting currency of the Parent Company is Swedish kronor (SEK).

Translation of items in foreign currencies

At every closing date, monetary items in foreign currencies are translated at the closing day rate. Non-monetary items, which are valued at historical cost in a foreign currency, are not translated. Exchange rate differences are recognized in operating profit or as a financial item based on the underlying business event, in the period in which they arise, except for transactions that constitute hedging and meet the conditions for hedge accounting of cash flows or of net investments.

Net investment in foreign operations

A monetary item that is a receivable or liability in a foreign operation, where settlement is not planned or likely within the foreseeable future, is considered to be a part of the Group's net investment in foreign operations. Exchange rate differences pertaining to monetary items that constitute a part of the company's net investments in foreign operations and that are valued based on cost are recognized in the consolidated translation reserve in equity. Upon divestment of a net investment in foreign operations, the exchange rate difference is recognized in the income statement.

Translation of subsidiaries and foreign operations

When preparing consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated to SEK at the closing day rate. Income and expense items are translated at the average exchange rate of the period, unless the exchange rate fluctuated significantly during the period, in which case the transaction date's exchange rate is used instead. Any translation differences that arise are recognized directly against equity. In the divestment of a foreign subsidiary, such translation differences are recognized in the income statement as a part of capital gains.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the operation and translated at the closing day rate.

Public grants

Revenues from public grants that are linked to requirements regarding future performance are recognized as income when the performance is completed and the financial benefits associated with the transaction will likely accrue to the company and the income can be reliably calculated. Public grants have been valued at the fair value of the asset that the company is expected to receive.

Grants received before the conditions to recognize them as income have been met are recognized as a liability.

Employee benefits

Employee benefits in the form of salaries, bonuses, paid holiday, paid sick leave etc., as well as pensions, are recognized as they are earned. Pensions and other remuneration after concluded employment are classified as defined-contribution or defined-benefit pension plans. The Group only has defined-contribution pension plans. No other long-term remuneration is paid to employees.

Share-based payments settled with equity instruments

Share-based payments settled with equity instruments are valued at the fair value of the allocated equity instruments at the allocation date. Share-based payments comprise conditional personnel option programs, where employees have been offered part ownership through warrants. Amounts paid in by employees have been recognized against equity. The options were acquired by employees through the payment of a market-based premium for the value of the shares, as established in accordance with the Black-Scholes option valuation mode.

Defined-contribution plans

With defined-contribution plans, the Group pays fixed contributions to a separate, independent legal entity and has no obligation to pay any further contributions. Costs are charged to the consolidated profit or loss when the benefits are earned, which is normally when the premiums are paid.

Income tax

Tax expenses comprise the sum of current and deferred tax.

Current tax

Current tax is calculated on the taxable profit for the period. Taxable profit differs from the profit recognized in the income statement as it has been adjusted for non-taxable income and non-deductible expenses, as well as income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated according to the tax rates that apply on the closing date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the taxable value used in the calculation of taxable profit. Deferred tax is recognized in accordance with the balance sheet method. Deferred tax liabilities are recognized for essentially all taxable temporary differences, and deferred tax assets are recognized for virtually all deductible temporary differences to the extent that it is likely that the amounts can be applied against future taxable surpluses. Deferred tax liabilities and tax assets are not recognized if the temporary difference is attributable to goodwill.

Deferred tax liabilities are recognized for taxable temporary differences attributable to investments in subsidiaries, except in cases where the Group can determine the time for the reversal of the temporary differences and it is not obvious that the temporary difference will be restored in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on every closing date and reduced insofar as it is no longer likely that adequate taxable profit will be available to be utilized entirely or partly against the deferred tax asset.

The valuation of deferred tax is based on how the company, at the closing date, expects to regain the carrying amount for a corresponding asset or settle the carrying amount of a corresponding liability. Deferred tax is estimated based on the tax rates and tax rules enacted before the closing date.

Deferred tax assets and tax liabilities are offset when they are related to income tax that is charged by the same authority and when the Group intends to settle the tax with a net amount.

Current and deferred tax for the period

Current and deferred tax is recognized as income or expenses in the income statement, except when the tax is attributable to transactions recognized directly against equity. In such cases, the tax is also recognized directly against equity. For current and deferred tax arising on recognition of business combinations, the tax effect is recognized in the acquisition estimate.

Property, plant and equipment

Property, plant and equipment is recognized at cost less accumulated depreciation and any impairment.

Cost comprises the purchase price, expenses directly attributable to the acquisition to bring it to the location and condition necessary for use, along with estimated expenses for the dismantling and removal of the asset and restoration of the site at which it is located. Additional expenses are included in the asset or recognized as a separate asset only when it is probable that future financial benefits associated with the item will accrue to the Group and that the cost of the same can be reliably measured. All other expenses for repairs and maintenance and additional expenses are recognized in the income statement in the period in which they arise.

When the difference in consumption of the significant components of an asset in property, plant and equipment is deemed to be material, the asset is divided up into its components.

Depreciation of property, plant and equipment is expensed so that the asset's cost, less any estimated residual value at the end of the useful life, is depreciated straight-line over its estimated useful life. If an asset has been divided up into different components, the respective component is depreciated separately over its useful life. Depreciation commences when the asset can be put into use. The useful lives of property, plant and equipment are estimated at:

Equipment	5 years
Tools	5 years
Installations	5 years

Estimated useful lives and depreciation methods are reviewed if there is an indication that anticipated consumption has changed compared with the estimate at the previous closing date. When the company changes an assessment of useful lives, the asset's possible residual value is also reviewed. The effect of these changes is recognized prospectively.

Removal from the balance sheet

The carrying amount of property, plant and equipment is derecognized from the balance sheet when it is disposed of or divested, or when no future financial benefits are expected from the use or disposal/divestment of the asset or component. The gain or loss arising on derecognition of an asset or component of property, plant and equipment from the balance sheet is the difference between what is potentially received, less direct selling expenses, and the asset's carrying amount. The capital gain or loss arising on derecognition of an asset or component of property, plant and equipment from the balance sheet is recognized in the income statement as other operating income or other operating expense.

Intangible assets

Acquisition through separate acquisitions

Intangible assets acquired separately are recognized at cost less accumulated depreciation and any accumulated impairments. Straight-line amortization is applied over the asset's estimated useful life, which is estimated at three years. Estimated useful lives and amortization methods are reviewed if there is an indication that they have changed compared with the estimate at the previous closing date. The effect of potential changes in estimates and assessments is recognized prospectively. Amortization begins when the asset can be used.

Removal from the balance sheet

An intangible asset is derecognized from the balance sheet when it is disposed of or divested, or when no future financial benefits are expected from the use or disposal/divestment of the asset. The gain or loss arising on derecognition of an intangible asset from the balance sheet is the difference between what is potentially received, less direct selling expenses, and the asset's carrying amount. This is recognized in the income statement as other operating income or other operating expense.

Acquisition through internal processing

The company applies the capitalization model, which means that the work of preparing internally processed intangible assets is divided up into a research phase and a development phase. All expenditures originating from the company's research phase are recognized as expenses when they arise. All expenditures for development of software are recognized as an asset if all of the following conditions are met:

- it is technically possible to complete the intangible asset so that it can be used or sold,
- the company's intention is to complete the intangible asset and to use or sell it,
- conditions exist to use or sell the intangible asset,
- it is likely that the intangible asset will generate future financial benefits,
- there are necessary and adequate technical, financial and other resources to complete development and to use or sell the intangible asset, and
- the expenditures that are attributable to the intangible asset during its development can be reliably calculated.

Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party under the instrument's contractual terms. A financial asset is derecognized from the balance sheet when the contractual right to the cash flow from the asset expires, is settled or when the Group loses control over it. A financial liability, or part thereof, is derecognized from the balance sheet when the agreed obligation is fulfilled or otherwise expires.

Derivative instruments

To hedge currency risks in forecast cash flows in foreign currency, the Group uses forward foreign-exchange contracts. The derivative instrument is recognized according to the principle of lowest value. If a receivable or liability arises, the receivable or liability is recognized at the forward rate. In cases where the difference between the forward rate and spot exchange rate is material, the receivable or liability is valued at the spot exchange rate and the arbitrage premium is allocated to periods over the duration of the forward contract.

Impairment of financial assets

At each closing date, the Group makes an assessment of whether there are indications that one or more financial assets have declined in value. Examples of such indications are significant financial difficulties among borrowers, contractual breaches or that it is likely that the borrower will enter bankruptcy.

For financial assets that are not valued at amortized cost, the impairment loss is calculated as the difference between the asset's carrying amount and the higher of fair value less selling expenses and the present value of company management's best estimate of the future cash flows the asset is expected to provide.

Cash and cash equivalents

Cash and cash equivalents include cash funds and disposable balances with banks and other credit institutions and other current liquid investments that can easily be converted into cash and are subject to an insignificant risk of value fluctuations. To be classified as cash and cash equivalents, the maturity period may not exceed three months from the time of acquisition.

Provisions

Provisions are recognized when the Group has an existing (legal or constructive) obligation as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A provision is reviewed every closing date and adjusted to reflect the best estimate of the amount required to settle the existing obligation on the closing date, considering risks and uncertainties associated with the obligation. When a provision is calculated by estimating the disbursements expected to be required to settle the obligation, the carrying amount shall correspond to the present value of these disbursements.

When part or all of the amount required to settle a provision is expected to be reimbursed by a third party, this restitution shall be separately reported as an asset in the consolidated balance sheet when it is virtually certain that it will be received if the company settles the obligation and the amount can be reliably calculated.

Onerous contracts

A provision for onerous contracts is recognized when the unavoidable expenses to fulfill the contract exceed the expected financial benefits.

Contingent liabilities

A contingent liability is a possible obligation resulting from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the company, or an existing obligation resulting from past events but which is not recognized as a liability or provision since it is unlikely that an outflow of resources will be required to settle the obligation or because the size of the obligation cannot be calculated with sufficient reliability. Contingent liabilities are detailed under Note 23.

Cash flow statement

The cash flow statement shows the Group's changes in the company's cash and cash equivalents during the financial year. The statement of cash flows has been prepared using the indirect method. The reported cash flow solely comprises transactions that result in the inflow and outflow of funds.

Accounting policies of the Parent Company

The Parent Company applies the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's recommendation BFNAR 2012:1 Annual and consolidated financial statements ('K3').

The differences between the accounting policies of the Parent Company and those of the Group are described below:

Subsidiaries

Investments in subsidiaries are recognized at cost. Dividends from subsidiaries are recognized as income when the right to receive a dividend is deemed certain and can be reliably calculated.

Participations in associated companies

Participations in associates are recognized at cost less potential impairment losses. Dividends from participations in associates are recognized as income in the income statement.

Tax

Untaxed reserves including deferred tax liabilities are reported in the Parent Company. However, in the consolidated financial statements, untaxed reserves are split into deferred tax liabilities and equity.

Property, plant and equipment

Property, plant and equipment that is of minor value or can be assumed to have an economic life of a maximum of three years is recognized as an expense on initial recognition provided the company can make corresponding deductions according to the Income Tax Act.

Estimated expenses for dismantling, removal or site restoration are not included in the cost of an asset in property, plant and equipment. Such expenses are recognized as a provision when the criteria for this are met.

Financial instruments

Financial instruments are recognized according to the cost method.

Leases

In the Parent Company, all leases are recognized according to the regulations for operating leases.

Note 3 Critical accounting estimates and judgments

Significant sources of uncertainty in estimates

An account is provided below of the most important assumptions about the future, and other significant sources of uncertainty in estimates at the closing date, which entail a substantial risk of material adjustments to the carrying amounts of assets and liabilities in the next financial year.

At the closing date, the Group had a tax asset of SEK 24.0 million regarding foreign tax at source. The asset may be offset against future Swedish corporate tax. Offsetting must take place within five years of the foreign tax being withheld. The asset has been booked according to the assumption that future profits will be sufficient for full offset to be able to be made. As this asset is associated with uncertainty, continuous impairment testing is done based on the company's expectations of future profits.

Critical assessments in the application of the Group's accounting principles

The following section describes the most important assessments, besides those that include estimates (see above), that company management has made in the application of the Group's accounting policies and that have the most significant effect on the carrying amounts in the financial statements.

- The Group's project revenue is recognized as income in the period in which the work is carried out, on the assumption that the rate of completion of the projects is evenly distributed over the projects' duration. When calculating the degree of completion, a detailed and professional assessment is made of the anticipated outcome of each individual project.

The Group examines regularly whether there is any need to recognize impairment in capitalized development costs. The valuation of capitalized development costs depends on certain forecast sales revenues and expenses.

Not 4 Derivat och finansiella instrument

The Group holds derivative contracts in the form of forward foreign-exchange contracts. The fair value of these derivatives amounts to a negative SEK 430 thousand (366).

Currency risk

Currency risk refers to the risk that fair value or future cash flows fluctuate as a result of changed exchange rates. The Group conducts business in several different geographical markets and in different currencies and is therefore exposed to currency risk. Exposure to currency risk mainly originates from payment flows in foreign currency, 'transaction exposure', and from the translation of balance sheet items in foreign currencies in the translation of the income statements and balance sheets of foreign subsidiaries to the Group's presentation currency (SEK), 'balance exposure'.

The Group's outflows mainly consist of GBP and SEK, whereas the Group's inflows mainly consist of EUR, USD, GBP and SEK. The Group is thereby extensively affected by changes in these exchange rates.

The Group currency hedges parts of its flow exposure from non-recurring revenues in foreign currencies over a horizon of up to 12 months. According to the Group finance policy, the transaction exposure shall be reduced by using derivative instruments. The Group uses forward contracts. At the closing date, there were outstanding forward foreign-exchange contracts in USD and EUR falling due on November 1, 2017, and December 27, 2017, respectively.

Note 5 Distribution of net sales

Net sales by business area

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Group		
Sales of systems and related services	313 134	286 562
Reporting of OTC transactions	17 814	13 974
	330 948	**300 536**
Parent company		
Sales of systems and related services	350 438	293 135
	350 438	**293 135**

Net sales by geographical market

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Group		
Europe	137 498	142 928
Rest of the world	193 452	157 608
	330 948	**300 536**
Parent company		
Europe	164 865	141 858
Rest of the world	185 573	151 277
	350 438	**293 135**

Note 6 Purchases and sales within the same group

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Parent company		
Purchase	30.9%	32.8%
Sales	10.6%	2.2%

Note 7 Other operating income

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Group		
Contribution from EU	-	20 131
Currency gains	8 276	8 506
	8 276	**28 637**
Parent company		
Contribution from EU	-	20 131
Currency gains	7 737	8 426
	7 737	**28 557**

Cinnober has been awarded a grant of over EUR 2 million by the European Commission as part of a financing program to further develop and adapt the company's clearing technology for European banks.

Note 8 Fees and expenses for auditors

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Group		
Deloitte AB		
Audit assignment	530	534
Audit activities	154	-
Tax advice	97	85
Other services	30	-
Harmer Slater Ltd		
Audit assignment	88	102
Other services	-	5
Gutierrez & Caruccio, LLC		
Audit assignment	83	75
Total	**982**	**801**
Parent company		
Deloitte AB		
Audit assignment	530	534
Audit activites	154	-
Tax advice	97	85
Other services	30	-
Total	**811**	**619**

Audit assignment is defined as the audit of the annual financial statements, the administration of the Board of Directors and the CEO, other tasks incumbent upon the auditor, as well as consulting and other assistance initiated by the findings in performing the audit work or performance of such tasks.

Note 9 Number of employees, salaries, other remuneration and payroll costs

Average number of employees

	01-01-2016-12-31-2016		01-01-2015-12-31-2015	
	No. of employees	Men	No. of employees	Men
Parent company				
Sweden	186	119	177	116
Total in the parent company	**186**	**119**	**177**	**116**
Subsidiaries				
Sweden	67	57	60	51
UK	8	6	3	2
USA	2	1	2	1
Total in subsidiaries	**77**	**64**	**65**	**54**
Group total	**263**	**183**	**242**	**170**

	Group		Parent company	
	12-31-2016	12-31-2015	12-31-2016	12-31-2015
Gender distribution in senior management at year-end				
Women:				
Board members	2	2	2	2
Other individuals in company management, incl. CEO	2	4	2	4
Men:				
Board members	4	5	4	5
Other individuals in company management, incl. CEO	5	8	5	6
	13	**19**	**13**	**17**

Salaries, other remuneration, etc

	01-01-2016-12-31-2016	07-01-2015-12-31-2015
Parent company		
Board of Directors and senior management including CEO 1)	9 740	11 937
Other employees	92 625	94 170
Total	**102 365**	**106 107**
Social insurance contributions	46 288	46 120
(of which pension contributions) 2)	16 280	15 675
Subsidiaries		
Board of Directors and senior management including CEO 3)	2 712	3 015
Other employees	39 027	31 706
Total	**41 739**	**34 721**
Social insurance contributions	16 147	13 039
(of which pension contributions)	4 209	4 097
Group		
Board of Directors and senior management including CEO	12 451	14 952
Other employees	131 653	125 876
Total	**144 104**	**140 828**
Social insurance contributions	62 435	59 159
(of which pension contributions) 4)	20 489	19 772

1) Of which bonus payments 0 (215).

2) Of Parent Company's pension costs, 695 (750) relates to the Board of Directors and senior management including CEO. The company's outstanding pension obligations to these individuals amounts to 0 (0).

3) Of which bonus payments 0 (7).

4) Of the Group's pension costs, 1,027 (943) relates to the Board of Directors and senior management including CEO. The Group's outstanding pension obligations to these individuals amounts to 0 (0).

Remuneration to the CEO

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Veronica Augustsson	2 057	1 942
Total	**2 057**	**1 942**

Remuneration to the Board of Directors

	01-01-2016- 12-31-2016	01-01-2015- 12-31-2015
Nils-Robert Persson	854	1 112
Peter Lenti	824	804
Pär Bertilsson	-	50
Patrik Enblad	150	100
Cecilia Lager	150	150
Staffan Persson	150	150
Helena Westin	150	150
Total	**2 278**	**2 516**

Share-based payments settled with equity instruments

As part of its incentive program, Cinnober has always offered employees a partnership. The purpose of the incentive program is to strengthen employees' interest in the Group's activities and to highlight the connection between employment benefits and the company's performance.

At the Annual General Meeting on October 21, 2013, a decision was taken to issue a warrants program for employees. The warrants were issued in 2014 with a maturity of three years. The issue price was SEK 86.67 per share and the warrants could be exercised no earlier than three years after being issued. Each warrant entitled the holder to subscribe for three new shares in Cinnober Financial Technology AB (publ). On the exercise date, following the end of the financial year, 235,608 shares had been subscribed.

At the Annual General Meeting on May 11, 2016, an additional warrant program was approved. The warrants were issued in 2016 and can be exercised between August 31, 2018 and January 15, 2019 at a subscription price of SEK 140.0 per share. Each warrant entitles the holder to subscribe for a new share in Cinnober Financial Technology AB (publ).

	Group		Parent company	
Number of stock options	**2016**	**2015**	**2016**	**2015**
Outstanding at beginning of year	99 800	98 600	99 800	98 600
Allocated during the year	246 500	4 900	246 500	4 900
Forfeited during the year	-2 900	-3 700	-2 900	-3 700
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Total outstanding at end of year	**343 400**	**99 800**	**343 400**	**99 800**

Of the 344,300 (99,800) options outstanding at the end of the period, 0 options (0) were redeemable.

	Group		Parent company	
Average exercise price	**2016**	**2015**	**2016**	**2015**
Opening balance	86.67	86.67	86.67	86.67
Allocated during the year	140.00	86.67	140.00	86.67
Forfeited during the year	123.45	86.67	123.45	86.67
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
At the end of the year	**124.64**	**86.67**	**124.64**	**86.67**

The Black-Scholes option pricing model has been used in calculating the fair value of warrants in both the Group and the Parent Company. The following input data was used in the valuation of warrants:

Program 2013	
Weighted average share price	61.67
Weighted average exercise price	86.67
Expected volatility	20.00%
Maturity of options (years)	3.00
Expected dividend	4.00%
Risk-free interest rate	0.75%

Program 2016	
Weighted average share price	95.00
Weighted average exercise price	140.00
Expected volatility	20.00%
Maturity of options (years)	2.79
Expected dividend	2.00%
Risk-free interest rate	0.10%

Not 10 Impairment of financial assets and short-term investments

	01-01-2016- 12-31-2016	01-01-2015- 12-31-2015
Group		
Impairment of Binary Event Network Inc.	-	-26 733
Impairment of Quadriserv Inc.	-	-10 026
	-	**-36 759**
Parent company		
Impairment of Binary Event Network Inc.	-	-26 733
Impairment of Quadriserv Inc.	-	-10 026
	-	**-36 759**

The shares in Binary Event Networks Inc. and Quadriserv Inc. have been written down by SEK 36,759 thousand during the financial year.

Note 11 Other interest income and similar income

	01-01-2016- 12-31-2016	01-01-2015- 12-31-2015
Group		
Interest income	16	50
Currency exchange rate gains	2 743	5 165
	2 759	**5 215**
Parent company		
Interest income	16	37
Currency exchange rate gains	2 078	5 187
	2 094	**5 224**

Note 12 Interest expenses and similar expenses

	01-01-2016- 12-31-2016	01-01-2015- 12-31-2015
Group		
Interest expenses	-196	-218
Currency exchange rate losses	-3 327	-6 162
	-3 523	**-6 380**
Parent company		
Interest expenses	-193	-217
Currency exchange rate losses	-3 158	-5 777
	-3 350	**-5 994**

Note 13 Tax on profit for the year

	01-01-2016- 12-31-2016	01-01-2015- 12-31-2015
Group		
Current tax	-6 929	-6 681
Deferred tax	2 569	748
	-4 360	**-5 933**
Parent company		
Current tax	-6 864	-6 464
Deferred tax	-293	748
	-7 157	**-5 716**

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

	2016	2015
Group		
Recognized earnings before tax	8 751	-21 963
Tax according to applicable tax rate, 22%	-1 925	4 832
Tax effect of non-deductible expenses	-275	-9 279
Tax effect of non-taxable income	4	9
Tax effect of participations in associates	321	58
Differences in the tax rates of various countries	-196	-191
Tax effect of unrecognized deferred tax assets on loss carry-forwards	-1 995	-2 110
Deferred tax on temporary differences	-2862	-
Deferred tax on feared customer losses	2569	748
Recognized tax expense for the year	**-4 360**	**5 933**
Parent company		
Recognized earnings before tax	30 604	-12 561
Tax according to applicable tax rate, 22%	-6 733	2 763
Tax effect of non-deductible expenses	-134	-9 235
Tax effect of non-taxable income	3	8
Deferred tax on feared customer losses	-293	748
Recognized tax expense for the year	**-7 157**	**-5 716**

Note 14 Capitalized expenditures for research and development and similar

	12-31-2016	12-31-2015
Group		
Accumulated acquisition value:		
- Opening balance	1 246	1092
- Capitalization for the year	16 703	154
	17 949	**1 246**
Accumulated depreciation according to plan:		
- Opening balance	-963	-600
- Depreciation according to plan for the year	-248	-363
	-1 211	**-963**
Carrying amount at year-end	**16 738**	**283**
Parent company		
Accumulated acquisition value:		
- Opening balance	1 246	1 092
- Capitalization for the year	271	154
	1 517	**1 246**
Accumulated depreciation according to plan:		
- Opening balance	-963	-600
- Depreciation according to plan for the year	-248	-363
	-1 211	**-963**
Carrying amount at year-end	**307**	**283**

Of consolidated capitalized development costs and similar work for SEK 16.7 million, SEK 16.4 million referred to a software platform developed in-house.

Note 15 Equipment, tools, fixtures and fittings

	12-31-2016	12-31-2015
Group		
Accumulated acquisition value:		
- Opening balance	13 042	10 589
- New purchases	817	2 453
	13 859	**13 042**
Accumulated depreciation according to plan:		
- Opening balance	-7 514	-5 591
- Depreciation according to plan for the year	-1 935	-1 923
	-9 449	**-7 514**
Carrying amount at year-end	**4 410**	**5 528**
Parent company		
Accumulated acquisition value:		
- Opening balance	8 569	8 347
- New purchases	265	222
	8 834	**8 569**
Accumulated depreciation according to plan:		
- Opening balance	-6 578	-5 677
- Depreciation according to plan for the year	-905	-901
	-7 483	**-6 578**
Carrying amount at year-end	**1 351**	**1 991**
Equipment held under financial leases is included in the following amounts:	*None*	*None*

Note 16 Leasing agreements

The Group is the lessee under operating leases for premises, conference systems, IT equipment, and copying machines. The sum of this year's expensed lease payments for operating leases in the Group is SEK 19,267 thousand and in the Parent Company, SEK 15,194 thousand. Future minimum lease payments under non-cancelable operating leases are due as follows:

	Group		Parent company	
Due date	**2016**	**2015**	**2016**	**2015**
Within one year	20 439	17 287	15 048	13 267
Later than one year but within five years	13 200	27 946	1 807	13 018
Later than five years	-	1 934	-	-
	33 639	**47 167**	**16 855**	**26 285**

Not 17 Participation in Group companies

	12-31-2016	12-31-2015
Parent company		
Accumulated acquisition value:		
- Opening balance	21 196	21 196
- Acquisition	-	-
Carrying amount at year-end	**21 196**	**21 196**

Specification of Parent Company holdings of shares and investments 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	Profit for the year	Equity
Cinnober Products AB, 556642-0310, Stockholm	100 000	100	100	-	135
Cinetics AB, 556676-2554, Stockholm	8	100	15 895	-	6 000
Cinnober Americas Inc., New York USA	1 000	100	182	-155	-206
Binary Events System Sweden AB, 556862-4513, Stockholm	50 000	100	50	-	50
Cinnober Finanacial Technology North AB 556764-0288 Umeå	1 000	100	-	5	13 492
Boat Services Ltd, 6127985, London, UK	51	100	4 969	-9 806	-14 865
			21 196	**-9 956**	**4 606**

Note 18 Participations in associates

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Group		
Accumulated acquisition value:		
- Opening balance	1 354	1 088
- Profit from participations in associated companies after tax	1 459	266
- Dividend	-410	-
Carrying amount at year-end	**2 403**	**1 354**
Parent company		
Accumulated acquisition value:		
- Opening balance	2 610	2 610
Carrying amount at year-end	**2 610**	**2 610**

The item 'Participations in associates' consists of shares in Scila AB, corp. ID No. 556763-4695, domiciled in Stockholm.

	Shares	Shares in %
Shares in Scila, opening balance	41 000	27.89
Shares in Scila, closing balance	**41 000**	**27.89**

Note 19 Other long-term securities holdings

	01-01-2016-12-31-2016	01-01-2015-12-31-2015
Group		
Accumulated acquisition value:		
- Opening balance	-	36 759
- Impairment for the year	-	-36 759
Carrying amount at year-end	**-**	**-**
Parent company		
Accumulated acquisition value:		
- Opening balance	-	36 759
- Impairment for the year	-	-36 759
Carrying amount at year-end	**-**	**-**

Note 20 Deferred tax asset and deferred tax liability

	12-31-2016	12-31-2015
Group		
Deferred tax asset		
Temporary differences on non-current intangible assets	2 862	-
Possible credit losses	455	748
Total deferred tax asset	**3 317**	**748**
Deferred tax liability		
Equipment and inventory, accelerated depreciation	212	212
Other	107	-
	319	**212**
Parent company		
Deferred tax asset		
Possible credit losses	455	748
Total deferred tax asset	**455**	**748**

Note 21 Prepaid expenses and accrued income

	12-31-2016	12-31-2015
Group		
Accrued project income	46 326	53 332
Prepaid rent	4 401	4 294
Other items	11 740	11 351
	62 467	**68 977**
Parent company		
Accrued project income	44 929	51 827
Prepaid rent	3 517	3 458
Other items	10 622	9 905
	59 068	**65 190**

Note 22 Accrued expenses and deferred income

	12-31-2016	12-31-2015
Group		
Accrued personnel expenses	33 149	34 619
Deferred income	82 463	54 078
Other items	3 924	5 784
	119 536	**94 481**
Parent company		
Accrued personnel expenses	25 456	27 824
Deferred income	75 777	50 135
Other items	3 508	3 899
	104 741	**81 858**

Note 23 Pledged assets and contingent liabilities

	12-31-2016	12-31-2015
Contingent liabilities		
Group		
Forward cover	-	26
Total	**-**	**26**
Parent company		
Forward cover	-	26
Total	**-**	**26**

Note 24 Adjustments for non-cash items

	12-31-2016	12-31-2015
Group		
Depreciation of equipment	1 987	1 939
Amortization of intangible fixed assets	248	363
Impairment of accounts receivable	6 083	3 701
Profit/loss from participations in associates	-1 459	-266
Translation difference	93	469
	6 952	**42 965**
Parent company		
Depreciation of equipment	905	1 234
Amortization of intangible fixed assets	248	30
Impairment of accounts receivable	6 082	3 402
Impairment of financial assets	-	36 759
	7 235	**41 425**

Note 25 Cash and cash equivalents in cash flow

	12-31-2016	12-31-2015
Group		
Demand deposits at banks	86 050	57 746
	86 050	**57 746**
Parent company		
Demand deposits at banks	81 794	54 423
	81 794	**54 423**

Short-term investments in the balance sheet at year-end amounted to SEK 0 thousand (366), which consisted of financial instruments with a maturity of up to three months.

Not 26 Significant events after the balance sheet date

In March 2017, capital was raised via a directed new issue of SEK 180 million before issue costs. The purpose of the issue was to finance the further development of the wholly-owned subsidiary that will focus on sales of Cinnober's technology and services for real-time clearing for banks.

After the end of the financial year, it was announced that a newly started Asian marketplace, as yet unnamed at the request of the customer, has chosen Cinnober as supplier of a sophisticated real-time clearing solution. The deal is considered to be medium-sized.

Not 27 Proposed disposition of earnings

Proposed disposition of earnings

The following unappropriated earnings are at the disposal of the Annual General Meeting:

Share premium reserve	15 648 030
Retained earnings	45 242 474
Profit for the year	23 446 732
Total	**84 337 236**

The Board of Directors proposes that the unappropriated earnings at the disposal of the AGM, SEK 84,337,236, be allocated as follows:

Funds to be carried forward	84 337 236
Total	**84 337 236**

Stockholm, April 19, 2017

Nils-Robert Persson
Chairman of the Board

Patrik Enblad

Cecilia Lager

Peter Lenti

Staffan Persson

Helena Westin

Veronica Augustsson
CEO

Our auditors' report has been submitted on April 20, 2017.

Deloitte AB

Svante Forsberg

Authorized Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Cinnober Financial Technology AB for the financial year 2016-01-01 - 2016-12-31. The annual accounts and consolidated accounts of the company are included on pages 20-42 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-19. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Cinnober Financial Technology AB for the financial year 2016-01-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor’s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company’s profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company’s profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company’s situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors’ proposed appropriations of the company’s profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm April 20, 2017

Deloitte AB

Signature on Swedish original

Svante Forsberg

Authorized Public Accountant

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