

# YEAR-END REPORT

January 1, 2017 – December 31, 2017

Cinnober  
Financial Technology AB

Corporate identity number  
556548-9654

- ➔ Net sales for the year amounted to SEK 348.6 million (330.9).
- ➔ The proportion of recurring revenue\* for the year amounted to 72.7 percent (66.8) of net sales.
- ➔ The operating loss for the year amounted to SEK 93.4 million (profit 9.5).
- ➔ The loss before tax for the year amounted to SEK 95.9 million (profit 8.8).
- ➔ Earnings per share before dilution for the year were negative in the amount of SEK 4.46 (positive 0.22).
- ➔ Growth initiatives had a negative impact of SEK 106.2 million on EBITDA. A directed new share issue of SEK 175.3\*\* million was carried out during the year to fund the subsidiary Minium's investment in client clearing. Minium's operations burdened EBITDA for the year by SEK 50.3 million.
- ➔ The acquisition of assets in UK company Ancoa, active in market surveillance systems, was carried out in May. The operations burdened EBITDA for the full-year by SEK 25.3 million.
- ➔ Major deployments during the year – including the second phase of a major Brazilian clearing project and a new trading system for the Australian derivatives market.
- ➔ The Board proposes that no dividend be paid for the financial year.

\* See financial definitions, p.19

\*\* New share issue net after transaction costs

FINANCIAL OVERVIEW	Q4 2017	Q4 2016	12 MONTHS	12 MONTHS
Group	OCT-DEC	OCT-DEC	2017	2016
Net sales (SEK million)	85.7	98.4	348.6	330.9
Proportion of recurring revenue (%)	75.9	66.7	72.7	66.8
EBITDA (SEK million)	-42.8	9.7	-90.7	11.8
EBITDA margin (%)	-50.0	9.8	-26.0	3.6
Operating profit (SEK million)	-43.6	9.1	-93.4	9.5
Operating margin (%)	-50.9	9.3	-26.8	2.9
Profit/loss for the period (SEK million)	-44.2	5.9	-97.6	4.4
Earnings per share before dilution* (SEK)	-1.97	0.30	-4.46	0.22
Earnings per share after dilution* (SEK)	-1.97	0.28	-4.46	0.21
Net cash (+)/net debt (-) (SEK million)	163.2	86.1	163.2	86.1
Cash flow from operating activities (SEK million)	-13.3	71.4	-73.7	58.2
Return on equity (%)	-76.5	5.1	-76.5	5.1

\* Recalculated following a share split of 3:1 in June 2017

COMMENTS BY VERONICA AUGUSTSSON, CEO

## STRATEGIC INITIATIVES IN SELECTED AREAS



**Our experience and technological know-how from 20 years of deliveries to one of the world's most demanding customer groups, securities marketplaces, have enabled us to also identify new solutions for adjacent customer segments and submarkets. There, we make strategic investments in selected areas with the ambition of growing based on existing operations and a culture derived from our inquisitive DNA. At the same time, this means that our potential market is growing exponentially. We are allowing these efforts to continue burdening our earnings, with the conviction that this will strengthen our position in the long term, broaden our customer base, increase customer penetration and generate long-term shareholder value.**

### Growth initiatives progressing as planned

Our long-term growth initiatives, described under New Market Segments, are progressing as planned and continue to burden EBITDA. Fourth quarter earnings, which amounted to a loss of SEK 43 million, compared with a loss of SEK 19 million in the third quarter, were also affected by non-recurring expenses due to higher activity in preparation for MiFID II. This brought increased development and implementation costs in the form of higher personnel and consultancy expenses.

### Stable base

Quarterly growth in our core operations, focused on exchanges and clearing houses, is affected by project cycles that vary over time, while recurring revenues are developing more stably.

Net sales for the quarter amounted to SEK 86 million, compared with SEK 98 million in 2016, which was also the strongest quarter of the comparison year. The proportion of recurring revenue for the quarter rose to 76 percent, compared with 67 percent in the corresponding quarter of the preceding year. This was the highest proportion to date.

Since Cinnober's inception, we have focused on exchange and clearing technology targeting leading exchanges and clearinghouses worldwide. We have established ourselves as a leading global player, and this business will continue to be a key part of the Group. It is a long-term and stable business, with favorable market trends and highly interested in more efficient and more modern technology. We expect continuous improvement in profitability driven by reduced consulting expenses, project phases with higher margins and new customers. However, this involves large and complex implementation projects, leading to longer decision-making processes. Nonetheless, we continue to take a favorable view of our pipeline.

*“ MiFID II will have a very considerable impact on banks and securities companies around the world. The industry perceives the value of our services and of using a supplier experienced in major implementations meeting the market's expectations on quality, performance and functionality. ”*

The core operations reported an EBITDA of SEK 25 million for full-year 2017. It is worth adding that, at the beginning of this year, Japan Exchange Group (JPX) launched a new clearing and risk system, based on Cinnober's technology, for the Japanese derivative market.

## NEW MARKET SEGMENTS

### Simplitem, reporting and transparency

On 3 January 2018, the new MiFID II regulations came into effect, requiring that trades in a significant number of additional asset classes be reported. Our TRADEcho service, provided in partnership with the London Stock Exchange Group, has enabled us to take a leading role in this area. The inflow of customers to the operations has been good

ahead of, and in connection with, the introduction of the new regulations. In the fourth quarter, agreements were signed with a further 168 customers regarding this service. Accordingly, the total number of customers amounted to 548 at the beginning of January 2018, and we have seen continued customer inflows thereafter. A majority of these customers are smaller in size. Although the new regulatory framework is still in its infancy and there is uncertainty about future volumes, we expect annual revenues from smaller customers to be in the order of SEK 25,000 per customer and, for the largest customers, up to SEK 1 million or so per customer.

The launch of the service in connection with the introduction of the new regulations has progressed as expected. It has, however, involved development and implementation expenses for the fourth quarter exceeding our previous assessment and entailing lower earnings than expected for the quarter. At the same time, the business model entails 100 percent recurring revenue, with a combination of fixed and variable revenues. We now have a platform with over 500 customers, and view this as the start of a long-term partnership with the opportunity to add additional value by offering the Group's full portfolio of services in the future.

We also perceive potential in the insurance sector, where it is becoming increasingly important to acquire multiple perspectives on disaster risks. Through its ModEx offering, Simplitium delivers an independent and transparent solution that encourages broader model development, providing reinsurers more efficient access to risk estimates for different types of disaster scenarios.

### **Minium, client clearing**

A milestone in the Group's development involves commercializing, via Minium, our leading clearing and risk technology towards international banks and brokerages. In this way, we are reaching a new market segment with substantial potential. There are also significant initial synergies, since Minium bases its solutions on Cinnober's existing technology for exchanges and clearing houses. Accordingly, international banks and brokerages and their customers will be offered the opportunity to obtain, in real time, a comprehensive overview of their risk exposure towards different markets. Because the technology is able to handle all of the asset classes traded as well as trades being conducted both within and outside an exchange, it facilitates more efficient use of capital and enables operational efficiencies.

This is Cinnober's largest initiative and we brought in SEK 175 million in new capital during the spring of 2017 to fund the development and launch of Minium and its services. The aim is for Minium's solutions to modernize and streamline the operation of client clearing services in the banking sector. This is an area involving new regulations, tougher capital requirements and significant expenses for out-of-date technology. Development is proceeding according to plan and cooperation with a pilot customer, and recruitment and

marketing efforts have all intensified. Minium impacted the Group's earnings negatively by SEK 50 million over the year. The strategic initiative is progressing as planned and development expenses will persist throughout 2018.

### **Irisium, market surveillance**

In May, Cinnober acquired the assets of UK company Ancoa, which specializes in market surveillance systems.

The operations, which will be conducted under the name of Irisium, have some 15 existing customers and are continuing their efforts to develop and establish a wider offering. The acquisition was made because, over time, it deepens our offering to both banks and exchanges. For a large part of 2017, we focused on delivering on the commitments that the company had when acquired. The market surveillance niche has strong driving forces, including through increasing regulatory requirements and the development of technologies such as "machine learning".

In the future, our focus will be on refining our offering and broadening our customer base in the area. Irisium is expected to be able to contribute positively to consolidated profit as of 2019.

### **Correctly positioned**

As a whole, the finance industry will be facing a number of technological challenges for a long period of time to come, meaning that investment in technical infrastructure, modern systems and efficient processes is expected to increase. We have established a position in which customers seek to develop their business with us, since they realize we have the technology, delivery capacity, knowledge and experience. We perceive a number of business opportunities in several segments of the market. In recent years, we have made significant investments in these, based on our core operations, to ensure that we are properly positioned for the market's future needs. With a stable core business, strong financial position and a business model with a high percentage of recurring revenue and long-term contracts, we look forward to continuously broadening our market and further strengthening our position in selected areas in both the short and long term.

Stockholm, February 22, 2018

Veronica Augustsson

# BUSINESS SUMMARY

## FINANCIAL DEVELOPMENT

This financial report covers the fourth quarter and full-year of the 2017 financial year for the Group and the Parent Company.

### Net sales

Consolidated net sales for the fourth quarter amounted to SEK 85.7 million (98.4). The proportion of recurring revenue increased to 75.9 percent (66.7). Growth per quarter is affected by project cycles that vary over time, while development in recurring revenue is more stable.

Consolidated net sales for the full-year increased to SEK 348.6 million (330.9), corresponding to growth of 5.3 percent. The proportion of recurring revenue rose to 72.7 percent (66.8) – the highest to date.

### EBITDA

EBITDA for the fourth quarter was negative in the amount of SEK 42.8 million (positive 9.7), corresponding to a negative EBITDA margin of 50.0 percent (positive 9.8). As a consequence of the strategic growth initiatives, external expenses, mainly in the form of contracted consultants and various marketing activities, etc. increased by more than 50 percent. Part of this expense base should be regarded as temporary.

During the quarter, EBITDA was burdened by SEK 46.6 million for growth initiatives. An impact on profit from Group eliminations concerning the capitalization of SEK 3.0 million for work on own account between the companies is included in the quarter's EBITDA.

EBITDA for the year was negative in the amount of SEK 90.7 million (positive 11.8), corresponding to a negative EBITDA margin of 26.0 percent (positive 3.6). Over the year, the number of employees has gone from 288 to 349, of which 65 employees are involved in the growth initiatives. Over the year, EBITDA was burdened with growth expense of SEK 106.2 million. Group eliminations between the companies for the capitalization of work on own account had a negative effect on earnings of SEK 9.1 million, which is included in EBITDA.

### Operating profit, EBIT

Operating earnings, EBIT, for the fourth quarter were negative in the amount of SEK 43.6 million (positive 9.1), corresponding to a negative operating margin of 50.9 percent (positive 9.3).

Operating earnings, EBIT, for the year were negative in the amount of SEK 93.4 million (positive 9.5), corresponding to a negative operating margin of 26.8 percent (positive 2.9).

### Profit/loss for the year

The loss for the fourth quarter was SEK 44.2 million (profit 5.9). Earnings per share before and after dilution were negative in the amount of SEK 1.97 (positive 0.30) and SEK 1.97 (positive 0.28), respectively, for the third quarter. The loss for the year was SEK 97.6 million (profit 4.4). Earnings per share before and after dilution were negative in the amount of SEK 4.46 (positive 0.22) and SEK 4.46 (positive 0.21), respectively, for the year.

## QUARTERLY SUMMARY

Group	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4 <sup>1</sup>
	2017	2017	2017	2017	2016	2016	2016	2016	2015
Net sales (SEK million)	85.7	85.6	91.8	85.6	98.4	83.3	72.9	76.3	82.4
EBITDA (SEK million)	-42.8	-18.6	-28.2	-1.0	9.7	8.3	-7.9	1.7	6.8
EBITDA marginal (%)	-50.0	-21.8	-30.8	-1.2	9.8	10.0	-10.9	2.2	8.2
Operating profit (SEK million)	-43.6	-19.2	-28.8	-1.9	9.1	7.8	-8.5	1.1	6.2
Operating margin (%)	-50.9	-22.5	-31.3	-2.2	9.3	9.3	-11.6	1.4	7.5
Profit for the period (SEK million)	-44.2	-19.9	-28.9	-4.6	5.9	5.3	-7.2	0.4	3.1
Cash flow from operating activities (SEK million)	-13.3	0.2	-32.1	-28.6	71.4	-19.9	-23.9	30.7	27.3
Equity (SEK million)	172.5	217.7	237.8	266.0	82.6	77.6	71.7	91.7	91.0
Equity per share* (SEK)	7.69	9.71	10.60	11.86	4.20	3.95	3.65	4.67	4.63
Equity ratio (%)	47.3	54.1	58.5	64.7	35.4	42.1	36.2	39.8	43.2
Net cash (+)/net debt (-) (SEK million)	163.2	189.2	196.9	241.7	86.1	18.2	40.5	82.7	57.7

\* Recalculated following a share split of 3:1 in June 2017

<sup>1</sup> In connection with the Group's transition to the K3 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 period has been restated in accordance with K3.

# BUSINESS SUMMARY (CONT.)

## Cash flow

Cash flow during the quarter was negative in the amount of SEK 25.9 million (positive 67.8). Cash flow from operating activities was negative in the amount of SEK 13.3 million (positive 71.4) during the quarter.

Cash flow for the year was positive and amounted to SEK 77.2 million (28.3). Cash and cash equivalents amounted to SEK 163.2 million (86.1) at the end of the year. The directed new share issue of SEK 175.3 million carried out in the first quarter is included in cash flow for 2017. Cash flow has primarily been negatively impacted by growth initiatives.

## PROJECTS AND SALES

### Exchange and clearing technology

All ongoing customer projects are progressing as planned. The two largest projects during the year have been the clearing and risk projects for the Japan Exchange Group (JPX) and Brazilian B3 (formerly BM&FBOVESPA).

At B3, the second phase of the internationally very large clearing project was launched during the third quarter of the year. Accordingly, one of the world's largest financial marketplaces moved post-trade processing of its securities and bond markets over to its new multifunctional clearing system, as provided by Cinnober. More effective risk calculations in real time means that B3 could return the equivalent of USD 6.4 billion in reduced margin collateral requirements to the clearinghouse's members.

During the year, a newly established Asian marketplace has chosen Cinnober as its provider for a sophisticated clearing solution. The name of the customer is being kept confidential at the customer's request. The signed agreement includes a customized clearing solution, including license fees and future support. The contract is considered a medium-sized deal for Cinnober.

Two major trading systems for leading exchanges have been made operational during the year. At the end of March, the Australian Securities Exchange (ASX) made its new trading system for the Australian derivatives market operational. Shortly thereafter, the London Metal Exchange (LME) launched a new version of its LME Select trading system. LME is Cinnober's oldest existing customer, with the first system having been ordered in 2003.

### Growth initiatives

From a strategic point of view, it is important working with broadening the service offering and thus the Group's customer base into new segments, primarily major banks and brokerages. Over the year, these growth initiatives has burdened consolidated EBITDA by a total SEK 106.2 million.

In order to more clearly position the offering to each submarket and to indicate synergies within the Group, Cinnober has chosen to market these initiatives under a new Group profile.

There are currently three areas of focus in addition to the core operations: reporting and transparency, client clearing and market surveillance.

### Simplitium, reporting and transparency

Boat was the first to change profile, and also changed its name to Simplitium in connection with its tenth anniversary in the beginning of October. Simplitium offers banks and brokerages the opportunity to report share deals occurring outside the exchange, in accordance with the pan-European MiFID I regulations. Effective from January 3, 2018, the new regulation MiFID II is in effect, requiring that trades in a large number of other asset classes must be reported.

Together with the London Stock Exchange, Simplitium has launched the TRADEcho service, Europe's premier one-stop shop for reporting these types of transactions. TRADEcho is well-positioned ahead of the major shift that the introduction of MiFID II will entail, and the offering has received a positive response from the market. In early 2018, 548 customers had been contracted to use the service for their MiFID II reporting on an ongoing basis. Over the year, Simplitium had a negative impact of SEK 30.6 million on consolidated EBITDA.

Large parts of Simplitium's technology platform and organization are now in place, ready for this market development. Although Simplitium is pursuing other growth initiatives, the operations are expected to contribute positively to consolidated earnings in 2018.

### Minium, client clearing

An even larger growth initiative is the commercialization of Cinnober's leading clearing technology for international banks. This initiative was launched in October under the name Minium. There is considerable potential and ambition, with the focus currently being on an ongoing collaboration with an initial pilot customer, and recruiting personnel, mainly in Umeå and London.

There are extensive needs among the banks and their customers to modernize and streamline their processes and systems, including post-trade and risk management. New technology is needed to meet regulatory requirements and achieve significant cost savings. The introduction of a higher degree of real-time technology will also provide a clear competitive advantage and business development opportunities for the banks that become part of this paradigm shift.

The assessment is that the need for advanced clearing and risk technology will continue to increase at banks and brokerages, at the same time as Minium's addressable market is larger than Cinnober's traditional one. Initially, Minium will incur major expenses before generating revenue, which is why a directed new share issue of SEK 175.3 million has been carried out during the year. This will be used solely for the purposes of building up Minium's business, and therefore a negative impact on consolidated profit from this growth initiative is

also expected in 2018. In 2017, Minium burdened consolidated EBITDA by SEK 50.3 million.

### **Irisium, market surveillance**

In May, Cinnober acquired the assets of Ancoa Software, a London-based company specializing in solutions for market surveillance. Control has now been assumed of the operations, which have some 15 existing customers, and which will operate within Cinnober under the name Irisium. The acquisition extends the Group's offering to banks, exchanges and regulators. During 2017 the focus was on delivering the commitments the company had at the time of acquisition. During the year, Irisium had a negative impact of SEK 25.3 million on consolidated EBITDA. Irisium is expected to be able to contribute positively to consolidated profit as of 2019.

### **Associated companies, market surveillance**

For several years, Cinnober has held shares in Swedish company Scila AB, which offers market surveillance solutions mainly for exchanges. This holding is reported as an associated company and amounts to 41,000 shares, corresponding to 27.9 percent of the capital. Consolidated reported earnings from participations in associated companies for the year amounted to SEK 5.7 million and comprise Cinnober's share of Scila's earnings after tax for 2016 and the first three quarters of 2017 (the length of the period is due to Scila transitioning from reporting its financial results annually to quarterly). Scila's sales for the first three quarters of 2017 amounted to SEK 40.3 million and its earnings before tax to SEK 14.2 million.

## **INVESTMENTS/PRODUCT DEVELOPMENT**

To safeguard a long-term leading position, resources are continuously invested in the ongoing development of the product and service portfolio. In earlier years, Cinnober has not capitalized the substantial expenses that have 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. Cinnober owns the intellectual property rights to all these systems.

Effective from 2016, Cinnober has capitalized expenditure on proprietary development of an intangible fixed asset. The asset is related to the software platform for reporting transactions, in accordance with changed regulatory requirements, that Simplitium will offer the market under the TRADEcho brand together with London Stock Exchange.

On December 31, 2017, the Group's balanced expenses for development and similar work amounted to SEK 40.9 million (16.7) related to the software platform developed in-house. The asset will be amortized over five years starting in 2018.

## **EMPLOYEES**

At the end of the year, the Group had 349 (288) employees and 26 (24) contracted consultants.

## **PARENT COMPANY**

The Parent Company's net sales for 2017 amounted to SEK 387.1 million (350.4) and profit for the year amounted to SEK 3.4 million (23.4). Impairment of SEK 9.9 million on shares in the dormant subsidiary Cinetics AB was charged against earnings for the year. This impairment has no effect on cash flow or consolidated earnings. As per December 31, 2017, the company had 207 employees (204).

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on May 15, 2018. Staffan Persson has declined re-election. Patrik Enblad has announced that he will not be available for re-election to the main Board of Directors in Cinnober, but that he will remain available for the Board of Directors of Minium.

## **MARKET AND BUSINESS MODEL**

Cinnober is a Swedish company, which since its inception has focused exclusively on selling software to major exchanges and clearinghouses. A globally leading position within the company's traditional market niche has been built up entirely through self-generated capital. In recent years, this position, based on technical innovation and in-depth customer relationships, has been further strengthened.

Revenue in the company's core business is mainly distributed between revenue from customization projects for customers and recurring licensing and support revenue. The business cycle for trading and clearing projects 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, customer relationships are cultivated, and these activities incur expenses that are charged to the income statement. In phase two, the project phase, the technology is customized and implemented. In phase three, the operating phase, Cinnober provides support and maintenance of the system solution. Additional development and refinement is performed based on customers' specific needs. This third phase includes recurring license, operation and support revenues, with generally higher margins.

Cinnober's traditional business is based on long-term business relationships. The decision to invest in Cinnober's technology is normally incumbent on the customer company's senior management and Board because the systems to be procured are typically 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. Currently there

are seven such clauses, indicating how important Cinnober is considered as a partner.

The company's ambition is to generate shareholder value through long-term growth, increased profitability and strengthened cash flow. Part of this is to expand the offering to encompass a broader target group by adapting the technology to also suit banks and brokerages. During the year, strategic efforts to broaden operations into new market segments have progressed through the establishment of two new subsidiaries, so there currently are a total of three different focus areas, beyond the core operations, concentrating on trade reporting and transparency, client clearing and market surveillance.

## EVENTS AFTER THE END OF THE YEAR

In February 2018, Japan Exchange Group (JPX) launched its new clearing and risk system, based on Cinnober's technology, for the Japanese derivative market. With the new solutions, JPX can now calculate, in real time, its members' and their customers' risks in derivative trading. Following a successful launch, Cinnober is looking forward to launching additional solutions and, not least, a long-standing partnership with the Japanese exchange.

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Annual Accounts Act. No changes in accounting principles have occurred since the last Annual Report.

## CURRENCY EXPOSURE

The company hedges parts of its flow exposure from non-recurring revenue in foreign currencies through currency futures. Hedge accounting is applied.

Currency hedged accounts receivable and other receivables in foreign currencies are reported at agreed forward rates. Currency hedged agreed and expected future sales revenue in foreign currency are settled at forward rates as they occur.

Currency futures are reported "off balance". As of the report date there were no currency futures outstanding and hence no unreported and unrealized exchange rate gains or losses.

## RISKS

Cinnober's operations are affected by a number of factors, some of which are under the company's control while others are not. For an IT-focused company like Cinnober, operations are affected by operations-related risks, such as project risks, competition, recruitment, trends among major customers and customer losses. Market-related risks include business cycle risks. Financial risks primarily include currency exchange risks.

Cinnober's growth initiatives Simplitium, Minium and Irisium are at various start-up phases and, as such, are exposed to the

above risks to a greater extent than the core operations. New products and services are offered to the market under these initiatives, entailing increased business-related risks. The fact that these initiatives generate losses during the start-up phase also entails greater financing and liquidity risks.

Additional information can be found in the published Annual Report for 2016 (p. 21), which is available via [www.cinnober.com/financial-reports](http://www.cinnober.com/financial-reports).

## SHARE DATA

As per December 31, 2017, the company's capital stock totaled SEK 7,477,035 (6,549,120), consisting of 22,431,105 shares (6,549,120). The average number of shares during the quarter was 22,431,105 (6,549,120). The average number of shares during the year was 21,874,356 (6,549,120).

The company's shares are traded on the Nasdaq First North exchange (CINN, ISIN code: SE0010023556, LEI code: 529900596KTN6Q8T7576). On the record date of June 19, 2017, a split of 3:1 was made, which meant that each share was divided into 3 shares. The quotient value per share was changed from SEK 1 per share to SEK 0.33 per share (the average number of shares during the year has been re-calculated to reflect this).

Over the past quarter, a total of 3,632,305 shares were traded and the latest price paid was SEK 86.25 on December 31, 2017.

## DIVIDEND

The Board proposes that no dividend be paid for the financial year. No dividend was paid for the 2016 financial year.

Stockholm, February 22, 2018  
Cinnober Financial Technology AB (publ)

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

**Patrik Enblad**

**Cecilia Lager**

**Peter Lenti**

**Staffan Persson**

**Helena Westin**

**Veronica Augustsson**, CEO

Questions regarding this Interim Report should be addressed to:  
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This year-end report has not been reviewed by the company's auditors



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



CINNOBER LIVES THROUGH DIVERSITY



NATIONALITIES AT CINNOBER

OFTEN SUPPLIES THE HEART OF THE CUSTOMER'S OPERATIONS



WITHOUT SYSTEMS, NO EXCHANGE OR CLEARINGHOUSE

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



FROM DAY ONE, DEVELOPED FOR MULTI-ASSET AND CUSTOMIZATION

# WORLD CLASS SWEDISH FINTECH COMPANY



DISTRIBUTION OF REVENUES IN 2017

PROJECT-RELATED  
RECURRING



### 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

228

EST 1998

### UMEÅ

93

EST 2012

### LONDON

52

EST 2011

### NEW YORK

2

EST 2001

# FINANCIAL OVERVIEW

## CONSOLIDATED INCOME STATEMENT IN SUMMARY

Amounts in thousands of SEK	01-01-2017- 12-31-2017	01-01-2016- 12-31-2016
<b>Operating income</b>		
Net sales	348 606	330 948
Capitalised work on own account	24 337	16 925
Other operating income	11 975	8 276
	<b>384 918</b>	<b>356 149</b>
<b>Operating expenses</b>		
Other external expenses	-200 192	-129 528
Personnel expenses	-269 777	-209 943
Other operating expenses	-11 404	-6 387
Profit from participations in associated companies	5 746	1 459
	<b>-90 709</b>	<b>11 750</b>
Depreciation/amortization and impairment of equipment and intangible assets	-2 725	-2 235
	<b>-93 434</b>	<b>9 515</b>
<b>Profit from financial items</b>		
Interest income and similar income items	1 938	2 759
Interest expenses and similar expense items	-4 360	-3 523
	<b>-95 856</b>	<b>8 751</b>
	<b>-95 856</b>	<b>8 751</b>
Tax on profit for the year*	-1 716	-4 360
	<b>-97 572</b>	<b>4 391</b>
	<b>-97 572</b>	<b>4 391</b>
* Note regarding tax on profit for the year:		
Current tax:	-4 069	-6 929
Deferred tax:	2 353	2 569
	<b>-1 716</b>	<b>-4 360</b>

## CONSOLIDATED BALANCE SHEET IN SUMMARY

Amounts in thousands of SEK	12-31-2017	12-31-2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	40 922	16 738
Concessions, patents, licenses, trademarks and similar rights	6 663	-
	<b>47 585</b>	<b>16 738</b>
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	9 768	4 410
	<b>9 768</b>	<b>4 410</b>
<i>Financial assets</i>		
Participations in associated companies	6 304	2 403
Other long-term securities	118	-
Deferred tax asset	5 458	3 317
Other long-term receivables	1 757	417
	<b>13 637</b>	<b>6 137</b>
<b>Total non-current assets</b>	<b>70 990</b>	<b>27 285</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Accounts receivable - trade	50 368	24 992
Current tax receivables*	16 734	22 447
Other receivables	17 279	9 810
Prepaid expenses and accrued income	46 011	62 467
	<b>130 392</b>	<b>119 716</b>
<i>Cash and bank balances</i>	<b>163 238</b>	<b>86 050</b>
<b>Total current assets</b>	<b>293 630</b>	<b>205 766</b>
<b>TOTAL ASSETS</b>	<b>364 620</b>	<b>233 051</b>

\* Of which, SEK 17 034 (23 953) pertains to taxes deducted at source outside Sweden and that may be deducted against future Swedish corporation tax.

## CONSOLIDATED BALANCE SHEET IN SUMMARY

Amounts in thousands of SEK	12-31-2017	12-31-2016
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital (22 431 105 shares)	7 477	6 549
Other contributed capital	18 567	18 567
Other equity, including profit/loss for the year	146 488	57 498
<b>Equity attributable to the Parent Company's shareholders</b>	<b>172 532</b>	<b>82 614</b>
<b>Total equity</b>	<b>172 532</b>	<b>82 614</b>
<i>Provisions</i>		
Deferred tax liability	106	319
	<b>106</b>	<b>319</b>
<i>Current liabilities</i>		
Accounts payable - trade	27 877	20 889
Other liabilities	11 330	9 693
Accrued expenses and deferred income	152 775	119 536
	<b>191 982</b>	<b>150 118</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>364 620</b>	<b>233 051</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in thousands of SEK	<u>Equity attributable to the Parent Company's shareholders</u>				Total equity
	Share capital	Other contributed capital	Other equity, including profit/loss for the period	Total equity attributable to the Parent Company's shareholders	
<b>Opening balance on January 1, 2016</b>	<b>6 549</b>	<b>18 567</b>	<b>65 847</b>	<b>90 963</b>	<b>90 963</b>
Profit for the year			4 391	4 391	4 391
<i>Changes in the carrying amount of assets and liabilities:</i>					
Translation difference			-14	-14	-14
Employee share-option program			372	372	372
<b>Total changes in value</b>	<b>-</b>	<b>-</b>	<b>358</b>	<b>358</b>	<b>358</b>
<i>Transactions with shareholders:</i>					
Dividend to shareholders			-13 098	-13 098	-13 098
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-13 098</b>	<b>-13 098</b>	<b>-13 098</b>
<b>Closing balance on December 31, 2016</b>	<b>6 549</b>	<b>18 567</b>	<b>57 498</b>	<b>82 614</b>	<b>82 614</b>

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

Amounts in thousands of SEK	<u>Equity attributable to the Parent Company's shareholders</u>				Total equity
	Share capital	Other contributed capital	Other equity, including profit/loss for the period	Total equity attributable to the Parent Company's shareholders	
<b>Opening balance on January 1, 2017</b>	<b>6 549</b>	<b>18 567</b>	<b>57 498</b>	<b>82 614</b>	<b>82 614</b>
Profit for the year			-97 572	-97 572	-97 572
<i>Changes in the carrying amount of assets and liabilities:</i>					
Translation difference			-640	-640	-640
Employee share-option program	236		12 611	12 847	12 847
<b>Total changes in value</b>	<b>236</b>	<b>-</b>	<b>11 971</b>	<b>12 207</b>	<b>12 207</b>
<i>Transactions with shareholders:</i>					
New share issue	692		174 591	175 283	175 283
<b>Total transactions with shareholders</b>	<b>692</b>	<b>-</b>	<b>174 591</b>	<b>175 283</b>	<b>175 283</b>
<b>Closing balance on December 31, 2017</b>	<b>7 477</b>	<b>18 567</b>	<b>146 488</b>	<b>172 532</b>	<b>172 532</b>

Share capital 22 431 105 shares with a quota value of 0,33 SEK

## CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

Amounts in thousands of SEK	01-01-2017- 12-31-2017	01-01-2016- 12-31-2016
<b><i>Operating activities</i></b>		
Profit after financial items	-95 856	8 751
Adjustments for non-cash items	1 162	6 952
Income tax paid	-4 828	-8 775
<b>Cash flow from operating activities before working capital changes</b>	<b>-99 522</b>	<b>6 928</b>
<b><i>Cash flow from working capital changes</i></b>		
Increase (-)/Decrease (+) in current receivables	-15 865	20 587
Increase (+)/Decrease (-) in current liabilities	41 651	30 677
<b>Cash flow from operating activities</b>	<b>-73 736</b>	<b>58 192</b>
<b><i>Investing activities</i></b>		
Purchase of intangible assets	-31 179	-16 703
Purchase of equipment	-7 753	-869
Dividends received	1 845	410
Acquisition of fixed financial assets	-118	-
<b>Cash flow from investing activities</b>	<b>-37 205</b>	<b>-17 162</b>
<b><i>Financing activities</i></b>		
Received and repurchased warrant premiums	12 846	372
New share issue	175 283	-
Dividend paid to Parent Company's shareholders	-	-13 098
<b>Cash flow from financing activities</b>	<b>188 129</b>	<b>-12 726</b>
<b>Cash flow for the year</b>	<b>77 188</b>	<b>28 304</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>86 050</b>	<b>57 746</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>163 238</b>	<b>86 050</b>

## PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in thousands of SEK	12-31-2017	12-31-2016
<b><i>Pledged assets</i></b>	None	None
<b><i>Contingent liabilities</i></b>	None	None

## PARENT COMPANY INCOME STATEMENT IN SUMMARY

Amounts in thousands of SEK	01-01-2017- 12-31-2017	01-01-2016- 12-31-2016
<b>Operating income</b>		
Net sales	387 064	350 438
Other operating income	9 443	7 737
	<b>396 507</b>	<b>358 175</b>
<b>Operating expenses</b>		
Other external expenses	-197 633	-169 029
Personnel expenses	-169 309	-151 153
Other operating expenses	-11 221	-5 390
	<b>18 344</b>	<b>32 603</b>
Depreciation/amortization and impairment of equipment and intangible assets	-1 448	-1 153
	<b>16 896</b>	<b>31 450</b>
<b>Profit from financial items</b>		
Participations in Group companies	-9 895	-
Participations in associated companies	1 845	410
Interest income and similar income items	1 900	2 094
Interest expenses and similar expense items	-4 197	-3 350
	<b>6 549</b>	<b>30 604</b>
Appropriations	745	-
	<b>7 294</b>	<b>30 604</b>
Tax on profit for the year*	-3 849	-7 157
	<b>3 445</b>	<b>23 447</b>
<b>Total reported income tax:</b>		
Current tax:	-3 979	-6 864
Deferred tax:	130	-293
	<b>-3 849</b>	<b>-7 157</b>

## PARENT COMPANY BALANCE SHEET IN SUMMARY

Amounts in thousands of SEK	12-31-2017	12-31-2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible assets</i>		
Capitalized expenditures for research and development and similar	-	307
	-	<b>307</b>
<i>Property, plant and equipment</i>		
Equipment, tools, fixtures and fittings	5 991	1 351
	<b>5 991</b>	<b>1 351</b>
<i>Financial assets</i>		
Participations in Group companies	185 941	21 196
Receivables from Group companies	98 844	-
Participations in associated companies	2 610	2 610
Other long-term securities	118	-
Deferred tax	585	455
Other long-term receivables	91	82
	<b>288 189</b>	<b>24 343</b>
<b>Total non-current assets</b>	<b>294 180</b>	<b>26 001</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Accounts receivable - trade	49 134	22 045
Receivables from Group companies	49 354	46 271
Current tax receivables*	15 688	21 396
Other receivables	8 851	7 424
Prepaid expenses and accrued income	35 409	59 068
	<b>158 436</b>	<b>156 204</b>
<i>Cash and bank balances</i>	<b>46 578</b>	<b>81 794</b>
<b>Total current assets</b>	<b>205 014</b>	<b>237 998</b>
<b>TOTAL ASSETS</b>	<b>499 194</b>	<b>263 999</b>

\* Of which, SEK 17 034 (23 953) pertains to taxes deducted at source outside Sweden and that may be deducted against future Swedish corporation tax.

## PARENT COMPANY BALANCE SHEET IN SUMMARY

Amounts in thousands of SEK	12-31-2017	12-31-2016
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
<i>Restricted equity</i>		
Share capital (22 431 105 shares)	7 477	6 549
Statutory reserve	18 009	18 009
	<b>25 486</b>	<b>24 558</b>
<i>Non-restricted equity</i>		
Capital surplus	202 849	15 648
Profit brought forward	68 689	45 242
Profit for the year	3 445	23 447
	<b>274 983</b>	<b>84 337</b>
<b>Total equity</b>	<b>300 469</b>	<b>108 895</b>
<i>Untaxed reserves</i>		
Accumulated excess depreciation	-	745
	-	<b>745</b>
<i>Current liabilities</i>		
Accounts payable -trade	22 213	18 236
Liabilities to Group companies	46 364	28 012
Other liabilities	3 309	3 370
Accrued expenses and deferred income	126 839	104 741
	<b>198 725</b>	<b>154 359</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>499 194</b>	<b>263 999</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

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

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

Amounts in thousands of SEK	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Capital surplus	Profit brought forward	Profit of the year	
<b>Opening balance on January 1, 2017</b>	<b>6 549</b>	<b>18 009</b>	<b>15 648</b>	<b>45 242</b>	<b>23 447</b>	<b>108 895</b>
Allocation of the previous year's result				23 447	-23 447	-
Profit for the year					3 445	3 445
<i>Changes in the carrying amount of assets and liabilities:</i>						
Employee share-option program	236		12 611			12 847
<b>Total changes in value</b>	<b>236</b>	<b>-</b>	<b>12 611</b>	<b>-</b>	<b>-</b>	<b>12 847</b>
<i>Transactions with shareholders:</i>						
New share issue	692		174 591			175 283
<b>Total transactions with shareholders</b>	<b>692</b>	<b>-</b>	<b>174 591</b>	<b>-</b>	<b>-</b>	<b>175 283</b>
<b>Closing balance on December 31, 2017</b>	<b>7 477</b>	<b>18 009</b>	<b>202 849</b>	<b>68 689</b>	<b>3 445</b>	<b>300 469</b>

Share capital 22 431 105 shares with a quota value of 0,33 SEK

## PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY

Amounts in thousands of SEK	01-01-2017- 12-31-2017	01-01-2016- 12-31-2016
<b><i>Operating activities</i></b>		
Profit after financial items	6 549	30 604
Adjustments for non-cash items	15 808	7 235
Income tax paid	-4 955	-8 054
<b>Cash flow from operating activities before working capital changes</b>	<b>17 402</b>	<b>29 785</b>
<b><i>Cash flow from working capital changes</i></b>		
Increase (-)/Decrease (+) in current receivables	-104 691	-16 334
Increase (+)/Decrease (-) in current liabilities	44 366	27 183
<b>Cash flow from operating activities</b>	<b>-42 923</b>	<b>40 634</b>
<b><i>Investing activities</i></b>		
Acquisition of subsidiaries	-50	-
Shareholder contributions, subsidiaries	-174 591	-
Purchase of intangible assets	-25	-272
Purchase of equipment	-5 756	-265
<b>Cash flow from investing activities</b>	<b>-180 422</b>	<b>-537</b>
<b><i>Financing activities</i></b>		
New share issue	175 283	-
Received and repurchased warrant premiums	12 846	372
Dividend paid to Parent Company's shareholders	-	-13 098
<b>Cash flow from financing activities</b>	<b>188 129</b>	<b>-12 726</b>
<b>Cash flow for the year</b>	<b>-35 216</b>	<b>27 371</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>81 794</b>	<b>54 423</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>46 578</b>	<b>81 794</b>

## PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in thousands of SEK	12-31-2017	12-31-2016
<b><i>Pledged assets</i></b>	None	None
<b><i>Contingent liabilities</i></b>	None	None

# OTHER INFORMATION

## CINNOBER IN BRIEF

- Cinnober develops business-critical system solutions for exchange trading, risk management and other financial services.
- Its target group consists primarily of international exchanges, clearinghouses, banks and brokerages.
- It offers solutions in price discovery, order matching, market data, index calculations, clearing, risk management and market surveillance.
- The company was founded in 1998 and currently has about 350 employees (excluding consultants), representing some 40 nationalities.
- The Cinnober share is listed on NASDAQ First North (CINN, ISIN code: SE0010023556, LEI code: 529900596KTN6Q8T7576). Avanza is the Certified Adviser.

## FINANCIAL CALENDAR

Interim Report for January 1– March 31, 2018  
May 3, 2018

Annual General Meeting  
May 15, 2018

Interim Report for January 1 – June 30, 2018  
August 23, 2018

Interim Report for January 1 – September 30, 2018  
November 8, 2018

Year-end Report for January 1 – December 31, 2018  
February 21, 2019

## FINANCIAL INFORMATION

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

The 2017 Annual Report will be published latest by April 17, 2018.

## PUBLICATION

This information is such that Cinnober Financial Technology AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. This financial report was published on February 22, 2018 at 8:30 a.m. CET.

This year-end 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.

## 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, including proposed dividends

**Net margin** – Profit after tax as a percentage of net sales

**Net cash/Net debt** – Cash and cash equivalents and interest-bearing current and non-current receivables less 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 equity** – 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

**Recurring revenue** – Recurring revenue divided by net sales excluding re-invoiced expenses

## COMMERCIAL DEFINITIONS

Cinnober traditionally operates in a global niche involving system deliveries to marketplaces and clearinghouses. The agreements signed within these original operations 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 to assess the value of the deals won by Cinnober in its core operations, 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.



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