



# Interim Financial Report

Period January 1, 2015 – March 31, 2015

Cinnober Financial Technology AB

Corporate identity number 556548-9654

- ▶ Net sales for the period amounted to SEK 65.4 million (SEK 66.4 million)
- ▶ Profit before tax for the period amounted to SEK 0.9 million (SEK -1.1 million)
- ▶ Earnings per share for the period amounted to SEK 0.04 SEK (SEK -0.13 SEK)
- ▶ During the period, a major deal was signed for an extensive trading project with the Australian Stock Exchange (ASX), which is one of the world's ten largest marketplaces.
- ▶ Cinnober has been selected by the European Commission to receive funding of more than EUR 2 million to adapt its clearing technology for European banks.

## Financial overview

	Q1 2015 Jan-March	Q1 2014 Jan-March	Fin. year 13/14 18 months*	Fin. year 12/13 12 months*	12 months rolling
Net sales (SEK million)	65.4	66.4	408.4	295.8	269.1
EBITDA (SEK million)	-0.4	0.4	-0.4	19.2	-2.6
EBITDA margin (%)	-0.7	0.5	-0.1	6.5	-1.0
Operating profit (SEK million)	-1.0	-0.1	-3.1	18.0	-4.6
Operating margin (%)	-1.5	-0.1	-0.8	6.1	-1.7
Profit before tax	0.9	-1.1	1.8	19.9	2.6
Profit for the period (SEK million)	0.2	-0.8	2.5	16.8	2.4
Net margin (%)	0.4	-1.3	0.6	5.7	0.9
Earnings per share before/after dilution** (SEK)	0.04/0.04	-0.13/0.12	0.38/0.36	2.57/2.22	0.37/0.36
Net cash (+)/net debt (-) (SEK million)	54.0	37.7	54.1	37.7	54.0
Cash flow from operating activities (SEK million)	2.1	29.3	25.3	-38.4	11.3
Return on equity (%)	2.1	-0.3	1.2	13.8	2.1

\* Following a resolution at an Extraordinary General Meeting on June 26, 2014, the current financial year was extended until December 31, 2014 and consequently comprised 18 months.

\*\* Recalculated following a bonus issue of 2:1.

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# Comments by Veronica Augustsson, CEO

During the last months, we won new business and are continuing to work hard in a market where our customers are exuding increasing optimism. Following several difficult years, pervaded by financial crisis and lost volumes for our customers, the positive signals have grown increasingly evident and are clearly dominant.

At the same time, it is generally costly to secure new business and, with an amended revenue model relating to license revenues, we will not see the results of these efforts as quickly as in previous financial years. We continue to work tirelessly in an exciting market, with management focusing on profitability and the previously announced cost savings program, which is being implemented as planned.

## **Milestone trading deal in Australia**

Important news during the quarter was that the Australian Stock Exchange (ASX), one of the world's ten largest marketplaces, has decided to replace its two existing trading systems for equities and derivatives with technology from Cinnober. This new collaboration is a very important reference and strengthens our global position as a supplier of large trading systems to leading players. It also strengthens our position in the Asia Pacific region, which is a major growth region. As a prestigious deal that has attracted great attention in the industry, this is an important milestone for us as a company.

At the same time as we have thus achieved major progress in trading systems, we continue to be the dominant supplier in the increasingly high-profile area of real-time clearing. For years, modern technology for post-trade and risk management has been rather neglected. Cinnober's solutions enhance and streamline markets by ensuring, among other things, a much more fine-grained and detailed level with regard to required collateral at any given time. The technology has been selected by leading players worldwide and continues to attract interest, which we continuously nurture through our sales efforts.

All ongoing customer projects are progressing as planned. For example, it is worth mentioning the major clearing project with JSE of South Africa, in which we are delivering a clearing platform that will handle all asset classes traded on the clear leader among African exchanges. Also worthy of note is the leading European exchange group Euronext, which is poised to launch a completely new venture based on our technology within the next few months. The objective of this is to offer more efficient derivatives trading, including improved risk management and clearing.

We are also continuing to offer our technology as a service on a subscription basis. We are working with a marketplace (as yet unnamed due to the customer's competitive situation) that operates in an innovative and expanding segment within the financial sector. This overall solution includes both trading and clearing systems, as well as surveillance and systems operation.

## **Widening the target group by focusing on banks**

The current financial year is an important one from a strategic point of view as we are working to broaden our customer base into new segments, primarily major banks and brokerages. Unlike our traditional market, where we have a recognized strong position, this is somewhat new ground for us although, approached correctly, this is expected to be able to provide very favorable rewards.

In the summer of 2014, we acquired the BOAT trade reporting service from our customer Markit. BOAT offers banks and brokerages the opportunity to report OTC trades in equities trading in accordance with pan-European regulations. Cinnober has delivered the technology solution behind the service since its inception in 2007 and, through the acquisition, we have established a good base from which to continue our efforts to develop this segment, which is a new one for us. Last year was largely about the takeover itself and retaining existing customers, where we have been successful. The current financial year entails considerable and exciting work with the opportunities and challenges we perceive in an expanded offering and service launches, based largely on our existing technology and experience. During the quarter, we worked with a sales and distribution agreement with Ancoa of the UK, regarding its surveillance technology, which we plan to include primarily in our BOAT offering.

The second priority area in our venture to broaden our target group includes further adapting our pioneering technology for risk management and real-time clearing to international banks' specific needs in "client clearing". Today, the original technology has proven itself through large, high-profile launches in the world of clearinghouses and exchanges, such as at BM&FBOVESPA of Brazil and LME Clear of the UK. The notion of introducing a similar paradigm shift in the world of banking is considered so attractive that, during the first quarter of the year and in fierce competition, Cinnober was selected as a participant in a funding program at the European Commission. The Horizon 2020 program is aimed at promoting European innovations. From nearly 600 proposals, the EU Commission finally selected 78 projects that each receives partial financing of more than EUR 2 million for about 18 months.



Our strategic initiative to broaden the target group continues to evolve and could eventually become a major part of the future Cinnober. In daily contacts with the target group, particularly in central London, we see a genuine and strong interest in both the expanded offer at BOAT, as well as the development of technology solutions for banks' client clearing operations.

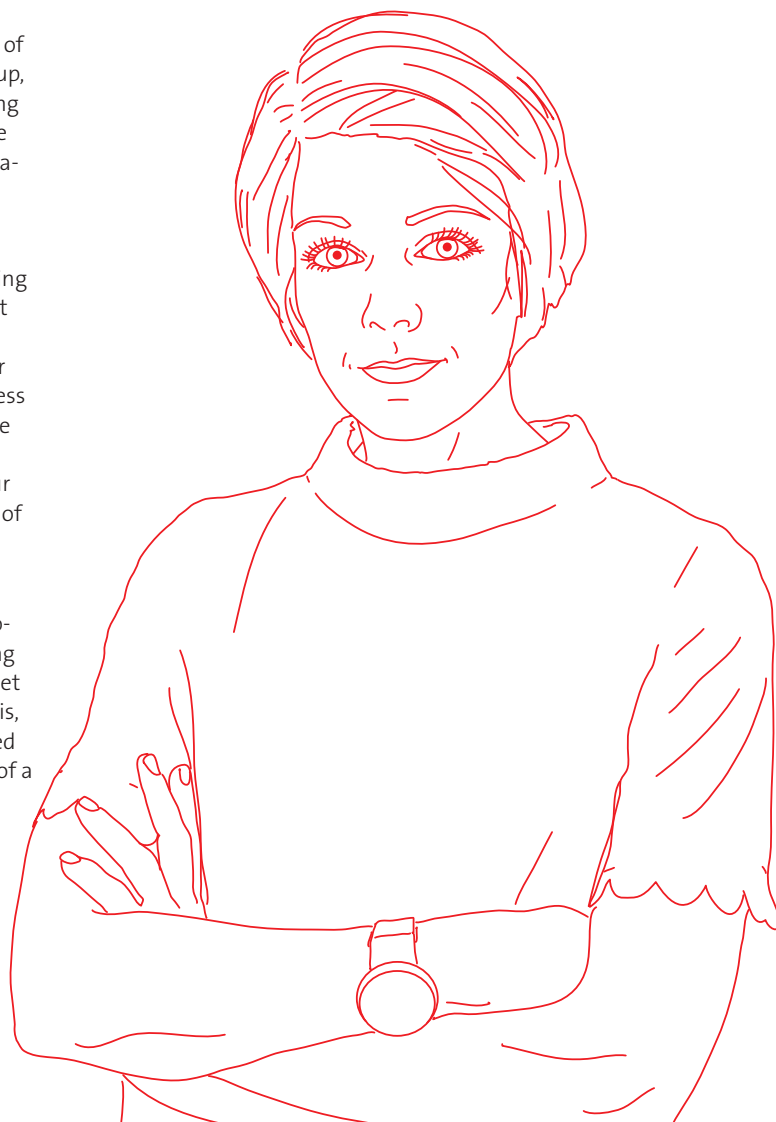
### **Leading position and exciting new venture**

In summary, we have a strong global position as the leading provider of innovative technology to our traditional target group of exchanges and clearinghouses. The market is pervaded by increasing optimism, associated in particular with increased trade volumes, which generate a willingness to invest in systems in our niche. At the same time, we are pursuing long-term efforts to broaden our target group, where we believe we have aroused genuine interest in our technology, and built a base for our further development of this market.

We consider ourselves to have a well-positioned product and service portfolio based on leading and proven technology. As a company, Cinnober has always nurtured a strong financial position, which, in this report, is accentuated by a net cash position of SEK 54.0 million (37.2). Based on all of this, I look forward with considerable confidence to a continued highly interesting and successful journey in the building of a stronger company.

Stockholm, May 7, 2015

Veronica Augustsson  
CEO



# Business summary

This financial report covers the first quarter of the 2015 financial year for the Group and the Parent Company. Consolidated net sales for the period January 1 – March 31, 2015 amounted to SEK 65.4 million (66.4). Profit before taxes for the period amounted to SEK 0.9 million (loss 1.1). During the period, exchange rate gains amounted to SEK 1.4 million (loss 1.1).

Cash flow for the period amounted to a weakly negative SEK 0.1 million (positive 29.4) and cash and cash equivalents amounted to SEK 54.0 million (37.7) at the end of the period.

## Investments

Cinnober is a market-leading supplier to exchanges and clearing houses. To ensure our long-term leadership, we continue to invest significant resources in continual development of our portfolio of products and services.

## Accounting principles

This interim report was prepared in accordance with the Swedish Accounting Standards Board's recommendation BFNAR 2007:1. This report was prepared using the same reporting principles as were used in the most recent annual report.

## Currency exposure

In the future, Cinnober has resolved not to hedge its currency exposure with regard to ongoing recurring revenues. Regarding non-recurring revenues, the company currency hedges its flow exposure in foreign currencies over a horizon of up to 12 months. Accounts receivable and other receivables in foreign currencies are reported at agreed forward rates, and agreed and expected future sales revenues in foreign currency are settled at forward rates as they occur. As per the report date, an unreported unrealized exchange rate loss of SEK 0.01 million (loss 0.2) existed in the forward rate portfolio as a consequence of the EUR/SEK rate on the balance sheet date being higher than the average forward rates in the flow hedging.

## 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.

Additional information can be found in the published annual report which is most easily accessed via [www.cinnober.com/financial-reports](http://www.cinnober.com/financial-reports).

## Five-year summary - three months

Group	31-03-2015	31-03-2014	31-03-2013	31-03-2012	31-03-2011
Net sales (SEK million)	65.4	66.4	75.6	67.0	41.5
Operating profit (SEK million)	-1.0	-0.1	4.9 <sup>1</sup>	10.2	-4.7
Earnings before tax	0.9	-1.1	3.6 <sup>1</sup>	11.7	-3.5
Profit for the period (SEK million)	0.2	-0.8	3.1 <sup>1</sup>	8.5	-2.6
Operating margin (%)	-1.5	-0.1	6.5 <sup>1</sup>	15.2	-11.3
Net margin (%)	0.4	-1.3	4.1 <sup>1</sup>	12.7	-6.3
Earnings per share before/after dilution** (SEK)	0.04/0.04	-0.13/0.12	0.47/0.41	1.30/1.12	0.40/-0.36
Equity (SEK million)	119.5	115.9	130.9	140.0	135.7
Equity per share (SEK)	18.25	17.70	19.99	21.38	20.72
Equity ratio (%)	51.1	60.3	59.5	77.0	79.5
Quick ratio (%)	164.6	198.4	206.6	301.7	454.7
Net cash (+)/net debt (-) (SEK million)	54.0	37.7	8.8	40.9	105.7

<sup>1</sup> Operating profit for the period January 1, 2013 – March 31, 2013 includes a reversal of negative goodwill, affecting operating profit favorably by SEK 2.5 million.

\* Recalculated following a bonus issue of 2:1

## Employees

At the end of the report period, the Group had 253 (250) employees and 5 (15) contracted consultants.

## Share data

As per March 31, 2015, the company's capital stock totaled SEK 6,549,120 (2,183,040), consisting of 6,549,120 shares (2,183,040).

Following a decision by an Extraordinary General Meeting on June 26, 2014, a bonus issue was implemented on terms of 2:1 on the record date of July 17, 2014, which resulted in SEK 4,366,080 being transferred to the capital stock from the statutory reserve, with the number of shares increasing by 4,366,080.

The average number of shares during the 2015 financial year amounted to 6,549,120 (2,183,040).

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 past quarter, 480,437 shares were traded and the latest price paid during the quarter, on March 31 was SEK 64.

Stockholm, May 7, 2015  
Cinnober Financial Technology AB

Nils-Robert Persson  
Chairman of the Board

Veronica Augustsson  
CEO

Pär Bertilsson

Cecilia Lager

Peter Lenti

Staffan Persson

Helena Westin

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

# Financial overview

## Consolidated Income Statement

Amounts in thousands of SEK	01-01-2015- 03-31-2015	01-01-2014- 03-31-2014
<b>Operating income</b>		
Net sales	65 406	66 374
Other operating income	5 116	7 666
	<b>70 522</b>	<b>74 040</b>
<b>Operating expenses</b>		
Other external expenses	-18 542	-21 983
Personnel expenses	-52 425	-51 692
<b>Operating profit before depreciation/amortization</b>	<b>-445</b>	<b>365</b>
Depreciation/amortization and impairment of equipment and intangible assets	-551	-433
<b>Operating profit</b>	<b>-996</b>	<b>-68</b>
<b>Profit from financial items</b>		
Profit from participations in associated companies	549	-
Interest income and similar profit items	1 425	96
Interest expenses and similar expense items	-50	-1 086
<b>Profit after financial items</b>	<b>928</b>	<b>-1 058</b>
<b>Profit before tax</b>	<b>928</b>	<b>-1 058</b>
Tax on profit for the period	-682	211
<b>Net profit for the period</b>	<b>246</b>	<b>-847</b>
 * Note regarding tax on profit for the period:		
Current tax:	-682	211
Total reported income tax:	-682	211

# Consolidated Balance Sheet

Amounts in thousands of SEK

03-31-2015

03-31-2014

## ASSETS

### Non-current assets

#### *Property, plant and equipment*

Equipment, tools, fixtures and fittings	7 171	5 248
	<b>7 171</b>	<b>5 248</b>

#### *Financial assets*

Participations in associated companies	1 646	975
Other securities held as non-current assets	36 759	36 759
Other long-term receivables	232	400
	<b>38 637</b>	<b>38 134</b>

<b>Total non-current assets</b>	<b>45 808</b>	<b>43 382</b>
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### Current assets

#### *Current receivables*

Accounts receivable - trade	27 559	26 069
Tax receivables*	29 966	20 675
Other receivables	6 794	4 366
Prepaid expenses and accrued income	70 023	59 906
	<b>134 342</b>	<b>111 016</b>

<i>Cash and bank balances</i>	53 990	37 698
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<b>Total current assets</b>	<b>188 332</b>	<b>148 714</b>
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<b>TOTAL ASSETS</b>	<b>234 140</b>	<b>192 096</b>
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\* Of which, SEK 24 741 (18 501) pertains to taxes deducted at source outside Sweden and that may be deducted against future Swedish corporation tax.



# Consolidated Balance Sheet

Amounts in thousands of SEK

03-31-2015

03-31-2014

## EQUITY AND LIABILITIES

### Equity

Share capital	6 549	2 183
Restricted reserves	19 310	23 063
Non-restricted reserves	93 436	90 413
Profit for the period*	246	270
<b>Total equity</b>	<b>119 541</b>	<b>115 929</b>

### Provisions

Deferred tax liability	212	212
Negative goodwill	-	1 000
	<b>212</b>	<b>1 212</b>

### Current liabilities

Accounts payable - trade	2 466	6 262
Other liabilities	7 456	5 071
Accrued expenses and deferred income	104 465	63 622
	<b>114 387</b>	<b>74 955</b>

### TOTAL EQUITY AND LIABILITIES

234 140

192 096

## Pledged assets and contingent liabilities

03-31-2015

03-31-2014

### Pledged assets

None

None

### Contingent liabilities

84

525

\*Following a decision by the General Meeting to change the financial year to coincide with the calendar year, the financial year 2013/2014 was extended to 18 months. Profit for the period as at 03-31-2014 consequently comprises 9 months' profit.

# Consolidated Cash Flow Statement

Amounts in thousands of SEK	01-01-2015- 03-31-2015	01-01-2014- 03-31-2014
<b><i>Operating activities</i></b>		
Profit after financial items	928	-1 058
Adjustments for non-cash items	914	3 406
	<b>1 842</b>	<b>2 348</b>
Income tax paid	-1 580	8 180
<b>Cash flow from operating activities before working capital changes</b>	<b>262</b>	<b>10 528</b>
<b><i>Cash flow from working capital changes</i></b>		
Increase (-)/Decrease (+) in current receivables	11 437	41 662
Increase (+)/Decrease (+) in current liabilities	-9 612	-22 886
<b>Cash flow from operating activities</b>	<b>2 087</b>	<b>29 304</b>
<b><i>Investing activities</i></b>		
Purchase of equipment	-2 232	-18
<b>Cash flow from investing activities</b>	<b>-2 232</b>	<b>-18</b>
<b><i>Financing activities</i></b>		
Received warrant premiums	-	159
<b>Cash flow from financing activities</b>	<b>-</b>	<b>159</b>
<b>Cash flow for the period</b>	<b>-145</b>	<b>29 445</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>54 135</b>	<b>8 253</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>53 990</b>	<b>37 698</b>

# Parent Company Income Statement

Amounts in thousands of SEK	01-01-2015- 03-31-2015	01-01-2014- 03-31-2014
<b><i>Operating income</i></b>		
Net sales	63 960	66 374
Other operating income	5 116	-
	<b>69 076</b>	<b>66 374</b>
<b><i>Operating expenses</i></b>		
Other external expenses	-27 345	-24 676
Personnel expenses	-40 056	-41 393
<b>Operating profit before depreciation/amortization</b>	<b>1 675</b>	<b>305</b>
Depreciation/amortization and impairment of equipment and intangible assets	-321	-330
<b>Operating profit</b>	<b>1 354</b>	<b>-25</b>
<b><i>Profit from financial items</i></b>		
Interest income and similar profit items	1 678	96
Interest expenses and similar expense items	-50	-1 086
<b>Profit after financial items</b>	<b>2 982</b>	<b>-1 015</b>
<b>Profit before tax</b>	<b>2 982</b>	<b>-1 015</b>
Tax on profit for the period	-685	205
<b>Profit for the period</b>	<b>2 297</b>	<b>-810</b>
 <b>* Note regarding tax on profit for the period:</b>		
Current tax:	-685	205
<b>Total reported income tax:</b>	<b>-685</b>	<b>205</b>

# Parent Company Balance Sheet

Amounts in thousands of SEK

03-31-2015

03-31-2014

## ASSETS

### Non-current assets

#### *Property, plant and equipment*

Equipment, tools, fixtures and fittings	2 853	4 111
	<b>2 853</b>	<b>4 111</b>

#### *Financial assets*

Participations in Group companies	21 196	16 227
Participations in associated companies	2 610	2 610
Other securities held as non-current assets	36 759	36 759
Other long-term receivables	79	400
	<b>60 644</b>	<b>55 996</b>

<b>Total non-current assets</b>	<b>63 497</b>	<b>60 107</b>
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### Current assets

#### *Current receivables*

Accounts receivable - trade	21 788	26 069
Receivables from group companies	24 086	-
Tax receivables*	28 508	20 827
Other receivables	5 020	4 345
Prepaid expenses and accrued income	67 074	59 395
	<b>146 476</b>	<b>110 636</b>

<b>Cash and bank balances</b>	<b>32 357</b>	<b>37 232</b>
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<b>Total current assets</b>	<b>178 833</b>	<b>147 868</b>
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<b>TOTAL ASSETS</b>	<b>242 330</b>	<b>207 975</b>
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\* Of which, SEK 24 741 (18 501) 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

03-31-2015

03-31-2014

## EQUITY AND LIABILITIES

### Equity

#### Restricted equity

Share capital (6 549 120 (2 183 040) shares)	6 549	2 183
Statutory reserve	18 009	22 375
	<b>24 558</b>	<b>24 558</b>

#### Non-restricted equity

Profit brought forward	76 618	74 129
Share premium reserve	15 276	15 270
Profit for the period*	2 297	455
	<b>94 191</b>	<b>89 854</b>

<b>Total equity</b>	<b>118 749</b>	<b>114 412</b>
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### Untaxed reserves

Accumulated excess depreciation	745	745
	<b>745</b>	<b>745</b>

### Current liabilities

Accounts payable -trade	2 335	5 792
Liabilities to Group companies	26 085	28 008
Other liabilities	2 693	2 662
Accrued expenses and deferred income	91 723	56 356
	<b>122 836</b>	<b>92 818</b>

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>242 330</b>	<b>207 975</b>
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## PLEDGED ASSETS AND CONTINGENT LIABILITIES

	03-31-2015	03-31-2014
<b>Pledged assets</b>	None	None
<b>Contingent liabilities</b>	84	208

\*Following a decision by the General Meeting to change the financial year to coincide with the calendar year, the financial year 2013/2014 was extended to 18 months. Profit for the period as at 03-31-2014 consequently comprises 9 months' profit.

# Parent Company Cash Flow Statement

Amounts in thousands of SEK	01-01-2015- 03-31-2015	01-01-2014- 03-31-2014
<b><i>Operating activities</i></b>		
Profit after financial items	2 982	-1 015
Adjustments for non-cash items	321	3 303
	<b>3 303</b>	<b>2 288</b>
Income tax paid	-766	9 562
<b>Cash flow from operating activities before working capital changes</b>	<b>2 537</b>	<b>11 850</b>
<b><i>Cash flow from working capital changes</i></b>		
Increase(-)/Decrease (+) in current receivables	1 617	41 694
Increase(+)/Decrease (-) in current liabilities	-7 041	-24 021
<b>Cash flow from operating activities</b>	<b>-2 887</b>	<b>29 523</b>
<b><i>Investing activities</i></b>		
Purchase of equipment	-12	-18
<b>Cash flow from investing activities</b>	<b>-12</b>	<b>-18</b>
<b><i>Financing activities</i></b>		
Received warrant premiums	-	159
<b>Cash flow from financing activities</b>	<b>-</b>	<b>159</b>
<b>Cash flow for the period</b>	<b>-2 899</b>	<b>29 664</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>35 256</b>	<b>7 568</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>32 357</b>	<b>37 232</b>

# 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 stock exchanges, clearinghouses, banks and brokerages
- The company was founded in 1998, currently has some 250 employees in Stockholm and Umeå (excluding consultants) representing 29 nationalities
- It offers solutions in price discovery, order matching, market data, index calculations, clearing, risk management and market surveillance
- Since September 29, 2014, the company's shares have been traded on the Nasdaq First North exchange (CINN, ISIN code: SE0000778474). Avanza is the Certified Adviser.

## Financial calendar

Annual General Meeting 2015  
May 11, 2015.

Interim report for January 1 – June 30, 2015,  
August 20, 2015

Interim report for January 1 – September 30, 2015,  
November 5, 2015

Year-end-report for January 1 – December 31, 2015,  
February 25, 2016

## Financial information

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

## Publication

This financial report was published on May 7, 2015 at 11.00 a.m. CET.

This interim report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.

## Financial definitions

**EBITDA** – Operating profit before amortization, depreciation and impairment

**EBITDA-marginal** – 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 sales

**Net cash/Net debt** – Cash and cash equivalents, current investments 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 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

## 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 to 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.



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