

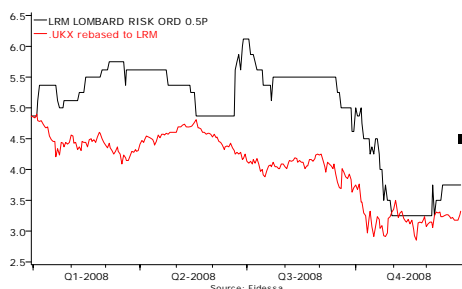
Lombard Risk Management

31 December 2008

4.5p.

Interim Results FLASH NOTE

Share Price: 4.5p



12m High: 6.25p

12m Low: 3.0p

Market Cap: £6m

Shares In Issue: 136m

NAV/Share: 0.4p

Gearing: No bank debt, but £1.3m of loans from directors

Interest Cover: -

EPIC Code: LRM

Sector: Software & Computer Services

Market: London AIM

Broker: Noble Group

PR: -

Website: www.lombardrisk.com

Description: LRM provides financial software systems targeted at the banking and fund management sector, focused on collateral management and regulatory reporting.

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Lombard Risk Management has announced its results for the six months to September, 2008. These show revenues continuing to increase year on year, together with a reduction in losses. Despite some faltering in the regulatory reporting business, owing to contracts that were signed in 2007 at what turned out to be optimistic fixed prices, the company has made progress, and the Trading and Risk side of the business is now trading profitably.

- Management is continuing to run a tight ship. The London operations have been consolidated on to the Curlew Street site, and the Earls Court lease will be ceded when it expires at the end of September 2009. Staff numbers are being managed down in the UK, while the Shanghai operations have expanded. Administrative and general costs actually came in slightly down on H2 2008.
- Colline, the collateral management solution, has had an excellent first half with seven contract wins.
- The regulatory business has seen something of a hiccup as major contracts signed last year were based on optimistic cost estimates and have proved unprofitable. However the business is continuing to win new contracts and the order book is healthy.

Overall revenues were up 9% on H1 2007, though down compared to the second half of the year. Still, this marks the second highest level of sales ever achieved in a six month period by the company and represents considerable progress.

We have reduced our forecasts and now expect a loss for the current year, followed hopefully by a small profit for the year to March 2010.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
March	£m	£m	£m	p.		p.	%
2007A	6.9	-1.3	-1.3	-1.0	-	-	-
2008A	8.5	-1.1	-1.1	-0.7	-	-	-
2009E	8.7	-1.0	-1.0	-0.7	-	-	-
2010E	10.0	0.75	0.75	0.5	9.0	-	-

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The Interim Results

Revenues	£m
H2 2005	2.3
H1 2006	2.2
H2 2006	2.6
H1 2007	3.5
H2 2007	3.5
H1 2008	3.7
H2 2008	5.1
H1 2009	4.0
H2 2009E	4.7*

* *Hardman & Co estimate*

Losses fell by 22% to GBP 0.83m at the pretax level. Costs were held slightly below the level of last H2, as the company has tightly managed London costs – the full benefit of which remains to be seen – while expanding the low cost operations in Shanghai.

Among the businesses, Oberon, the legacy valuation and risk management software business, has continued to be profitable and won its first contract in China. Colline has performed above budget, with seven contract wins including Lombard Odier Darier Hentsch, Jyske Bank, Daiwa Securities SMBC Europe, as well as two US hedge funds and a US asset manager.

Regulatory reporting however put in a mixed performance. While the order book is still healthy, this period saw the impact of several loss making contracts that were signed in mid 2007 and are now being delivered. LRM had underestimated the amount of work involved in implementation and the cost budgets for those contracts have turned out to be over-optimistic. More recent contracts have proven more profitable, and a number of deals were concluded, including Bank of Scotland Treasury Services. The company says 65% of the impact of the loss making contracts has now been taken, and this impact should lessen from here on as new business written at better terms increases its percentage of the total revenues. The company generally benefits from regulatory change and this continues apace. There was a transition to Mandatory Electronic Reporting in the UK and Ireland, while 2009 sees more regulatory reporting being required by most regulators including in the U.K. additional emphasis on liquidity reporting and scenario analysis.

The regulatory reporting business has now been rebranded as Lombard Risk Compliance. The STB name will remain on the software, but marketing will be handled under the Lombard brand.

‘65% of the impact of the loss-making contracts has now been taken’

**Lombard Risk
Management**

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