ORC

ANNUAL REPORT

2011

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Directors' report

The Board of Directors and the CEO of Orc Group AB (publ), corporate identity number 556313-4583, domiciled in Stockholm, Sweden, hereby submit the accounts for the financial year 2011 for the Parent Company and the Group.

About Orc

Orc is a leading provider of technology and services for the global financial industry. Orc provides development, sales and support services through a market presence in all major global financial centers. Following the merger with Neonet, Orc offers professional market participants independent, high-speed execution services. Orc's subsidiary CameronTec is the financial industry leader in FIX infrastructure and connectivity solutions. Orc has 13 offices across the EMEA, Americas and Asia Pacific regions. In 2011 Orc was listed on NASDAQ OMX Stockholm.

At the beginning of 2012, Nordic Capital acquired Orc Group AB through a public tender offer from Cidron Delfi Intressenter AB. The Orc share was delisted from NASDAQ OMX Stockholm on March 9, 2012.

Orc's management at year-end 2011 consisted of Thomas Bill, Chief Executive Officer, Markus Gerdien, Chief Operating Officer, Matteo Carcano, President of Orc, Anders Henriksson, CEO of CameronTec, Joacim Wiklander, CEO of Neonet, Tomas Ljunglöf, Chief Financial Officer, and Christine Blinke, VP of Marketing & Investor Relations.

The Board of Orc Group AB at year-end 2011 consisted of Patrik Enblad, Chairman, Lars Granlöf, Cecilia Lager, Staffan Persson, Eva Redhe Ridderstad and Carl Rosvall, as well as Thomas Bill, CEO. An Extraordinary General Meeting on March 12, 2012, elected the now sitting Board members.

Orc

Orc develops and provides the tools needed to run profitable trading and brokerage businesses. Orc's solutions are available as deployed software or managed services.

Events in 2011 were marked by continued turbulence in the global financial markets, regulatory complexity and rising price pressure as a result of declining profitability among Orc's customers. Widespread uncertainty and a stronger focus on costs have caused customers to cut back on new investments and this has impacted Orc's new sales, above all in Europe. Stricter cost control is also having consequences for prices and contract terms and conditions, and is creating a greater interest among major customers in signing more long-term contracts.

In a longer perspective, the current unrest and changes in the financial markets will create opportunities. Orc's assessment is that buy-side firms will increasingly trade across a wider range of asset classes and options. External suppliers with the capacity to offer services that address the customers' regulatory challenges have good potential for success. There is also a growing interest in cost-effective outsourced solutions.

Orc has handled the dramatic changes in the global financial markets relatively well and is ideally positioned to exploit future opportunities.

Neonet

Neonet offers professional market participants flexible, independent and transparent execution services. Neonet conducts no proprietary trading, analytics or financing activities. Neonet is part of Orc Group since April 1, 2010.

In 2011 Neonet was strongly impacted by a continued steep drop in trading volumes. In response to unrest in the global financial markets, institutional investors have increasingly moved money from the equity markets to other types of investments. Persistent and widespread economic uncertainty, above all in Europe, is exerting powerful pressure on banks and brokerage firms to cut their costs. The question of a new regulatory framework for the financial markets is affecting Neonet and its customers to a large extent. In Q4 2011 the European Commission presented its finished proposal for a new directive (MiFID II) for further discussion and approval. This process is expected to be completed in 2013 at the earliest. Among other things, MiFID II introduces stricter controls on algorithmic and high-frequency trading.

Neonet's assessment is that the existing economic climate and upcoming regulatory changes are favorable for outsourcing of execution services, since they offer market participants a way to realize cost savings while at the same time improving their execution quality and complying with MiFID requirements. During 2011 Neonet carried out a number of structural changes to adapt its operations and capitalize on the new market landscape.

In the autumn of 2011 Neonet launched ESP (Execution Service Provider), a new and cost-effective service package that has been developed for banks and brokerage firms in which Neonet offers execution services with Smart Order Routing in a combination of the customers' own and Neonet's exchange memberships. In Q4 2011 Neonet signed agreements for ESP services with the first two customers.

CameronTec

CameronTec is the financial industry's leading provider of FIX infrastructure and connectivity solutions.

The market conditions for CameronTec remained favorable during 2011. The dominance of the so-called FIX standard in the market for trading in financial instruments has increased in recent years. More and more leading banks and other major players are choosing external suppliers that offer the FIX standard rather than investing in non-standardized solutions or developing their own systems. This applies to both established markets and newer markets like Africa, Brazil, Central Europe and India. In 2011 CameronTec consolidated its leading position in the global market for FIX solutions. The launch of the new product Catalys, which ties together FIX nodes into an ecosystem in which high flexibility is combined with a totally integrated FIX environment, places CameronTec at the leading edge of technological development based on the FIX protocol.

Outlook for 2012

The management's assessment is that Orc Group's technology operations, consisting of Orc and CameronTec, weathered the ongoing turbulence in the global financial markets comparatively well during 2011. Neonet showed unfavorable development in 2011, partly as a result of declining market volumes. The technology operations and Neonet have recently launched, and in the near future plan to launch, additional attractive new products and services.

All in all, Orc Group is well positioned in a market that is undergoing major changes. However, it remains uncertain whether the target to achieve a minimum operating margin of 20% in a weak market can be reached already in 2012. Potential cost savings were identified in Q4 2011 and in view of the earnings trend, particularly in Neonet, efforts to enhance efficiency will be further intensified during 2012.

Operating revenue

Sales in 2011 were down by 5% compared to 2010. Operating revenue for 2011 amounted to SEK 923.1m (976.7). The drop in revenue for technology operations is mainly attributable to strengthening of the Swedish krona against the US dollar and the euro.

For Neonet, the decreased trading volumes in the market had a powerful negative impact on revenue compared to 2010.

Operating expenses

Operating expenses amounted to SEK 997.0m (905.2). Adjusted for an impairment loss of SEK 165.0m on intangible assets, operating expenses in 2011 decreased by SEK 73.2m compared to 2010. Neonet's expenses fell by SEK 8.9m despite the fact that Neonet was not consolidated until April 2010. This is mainly explained by a significant decrease in transaction costs as a result of falling trading volumes, but also by lower overheads thanks to realized synergies and other cost-cutting measures. Expenses in technology operations fell by SEK 63.2m compared to 2010. Around half of the decrease is explained by the previous year's non- recurring costs related to the acquisition of Neonet. In addition, expenses were reduced by the Swedish krona's strengthening primarily against the US dollar and the euro.

Earnings

Operating income for 2011 was SEK -73.9m (71.5) and operating margin was –8% (7%). Operating income for 2011 was charged with an impairment loss of SEK 165.0m on intangible assets. At the same time, operating income for the year was negatively affected by net non-recurring costs of SEK 5.1m. Non-recurring costs in 2010 amounted to SEK 58.0m and were wholly attributable to the merger with Neonet.

Excluding non-recurring items, operating income was down by SEK 33.3m, mainly due to falling trading volumes in Neonet.

Net financial items improved by SEK 3.3m, while the income tax expense increased by SEK 3.2m. Income for the year thus amounted to SEK -103.5m (41.8), a decrease of SEK 145.3m that is largely attributable to an impairment loss on intangible assets.

Cash flow, investments and financial position

Cash flow for 2011 amounted to SEK -76.6m (-87.7). Cash flow from operating activities rose by SEK 44.5m, mainly as a result of decreased operating receivables. Cash flow from investing activities fell by SEK 131.0m. The comparison year 2010 includes a positive effect of SEK 138.7m that consists of cash and cash equivalents in Neonet on the acquisition date less the cash portion of the acquisition. Cash flow from financing activities improved by SEK 97.6m mainly as a result of new borrowings. In 2011 dividends were paid in an amount of SEK -164.5m (-154.7), equal to SEK 7 per share (10).

The equity/assets ratio at December 31, 2011, was 70% (75).

Employees

Orc's employees are organized in five different categories:

> DEVELOPMENT AND PRODUCT MANAGEMENT The development staff designs and implements new products and features. Product managers are responsible for analyzing market and customer needs and deciding what to develop.

> SALES AND MARKETING Sales are conducted from Orc's 13 offices worldwide according to the marketing strategy drawn up for each region and sub-market.

> BROKERAGE The brokerage staff is active in front, middle and back office, as well as sales, risk management and compliance. This staff works from offices in Stockholm, Sweden, and New Jersey, USA.

> SERVICES AND SUPPORT Employees in this category work closely with customers in implementation, training and support, and are represented at all of Orc's offices.

> FINANCE & ACCOUNTING, ADMINISTRATION AND OTHER GROUP-WIDE FUNCTIONS These employees are mainly concentrated in Stockholm.

At December 31, 2011, Orc had 370 employees (394).

Environment

Environmental goals

In its operations, Orc shall take responsibility for the company's environmental impact. Environmental effects shall be taken into account in all decisions and the company shall continuously strive to reduce its environmental impact. Furthermore, the company shall provide transparent and correct environmental information.

Environmental impact

Operations in Orc and CameronTec are based on a standardized software solution for which all production takes place digitally. Orc has also chosen to use a fully electronic delivery process, which means that there are no packages or paper-based documents. Neonet's operations also have a limited environmental impact, since these are primarily executed by electronic means. The greatest environmental impact factors are energy consumption in the company's offices and hosting facilities, passenger air travel and replacement of the computer equipment used in the company's business activities.

Parent Company

During the year, the Parent Company changed name to Orc Group AB. The new name was registered with the Swedish Companies Registration Office on May 18, 2011. Sales in the Parent Company for 2011 amounted to SEK 624.2m (628.4), of which SEK 1.9m (0.5) consisted of sales to group companies. Operating income totaled SEK -84.6m (119.3) and income after tax was SEK -111.0m (66.0). The Parent Company's amortization/depreciation and impairment was charged with impairment losses of SEK 168.4 (-) on shares in subsidiaries. Net financial items include group contributions paid of SEK 49.3m (-).

Investments in tangible and intangible assets during the year amounted to SEK 51.3m (10.9). The Parent Company's cash and cash equivalents at December 31, 2011, totaled SEK 87.8m (91.5). The SEK 100m loan that was taken up during the year is recognized among current liabilities. The single largest item in current liabilities is made up of accrued income from advance billing, which amounted to SEK 133.7m (142.8) at the end of the period. Non-restricted equity in the Parent Company at December 31, 2011, was SEK 1,274.7m (1,535.1). The Parent Company has not had any significant transactions with related parties other than transactions with group companies. All transactions with related parties are carried out on market-based terms.

See also the income statement and balance sheet of the Parent Company.

Significant risks and uncertainties

The most significant risks in Orc's and CameronTec's operations have been assessed to lie in the company's ability to predict market needs and adapt its technical solutions to these, the ability to attract and retain skilled employees, risks related to the IT infrastructure, foreign exchange risks and the risk for bad debt losses.

Ongoing uncertainty in the international financial market and the consequences of the global economic recession are associated with a risk for continued cancellations of existing customer contracts, lower sales of new customer contracts and increased credit risks. Another significant risk factor to be taken into account is the risk for reduced liquidity in the international derivatives markets, which would most likely have a negative impact on Orc's customers and could therefore also affect new sales, cancellation of customer contracts and credit risks.

Orc and CameronTec operate in a fast-growing industry and a highly volatile market where the ability to predict market needs, and adapt its technical solutions to these, is a critical success factor.

Due to the nature of its business, Orc is dependent on the ability to attract and retain skilled employees. The company is committed to being an attractive employer that offers a good working environment and competitive employment conditions.

These operations are wholly dependent on an efficient IT structure, particularly for the development team and the capacity to deliver software to customers. Consequently, IT security is a top priority that is managed through a variety of methods, including multiple servers with redundant data in various locations around the world, security backups of various types and fast response times for service providers.

In the Orc and CameronTec segments, Orc has a net exposure to the US dollar and the euro due to extensive customer billing in these currencies, while the bulk of expenses are denominated in Swedish kronor. However, the business model, based on subscription software licensing with long contract terms and cancellation periods, ensures relatively ample time to adjust the cost mass in the event of a dramatic decline in the value of Orc's billing currencies.

The company has historically had low bad debt losses. Due to the business model in which customers gain access to the software through key codes, non-paying customers can be easily denied access to the company's products.

Neonet is primarily exposed to limited credit risk, since the company engages only in trading on behalf of customers and never on its own account. The risk that arises in these operations is managed through proven risk models and policies, where each customer must undergo a credit assessment before being permitted to trade.

The day-to-day risks to which Neonet is exposed are measured, controlled and, where necessary, hedged in order to protect the company's assets and reputation. The way in which the management identifies, monitors and manages these risks is a central part of these operations. The companies in Neonet's operations are subject to special rules for financial companies. See also Note 29, Financial risk management and financial instruments.

Guidelines for remuneration to senior executives

The Board of Directors has drawn up proposed guidelines for determining the level of remuneration and other terms of employment of senior executives. Orc observes both global remuneration practices and accepted norms in the respective senior executive's homeland. The Board shall have the right to deviate from the guidelines adopted by the Annual General Meeting in individual cases when there is special reason to do so. The proposed guidelines correspond to those that were proposed by the Board for 2011 and, after approval by the Annual General Meeting, were applied during the year. Detailed information about remuneration to senior executives is provided in Note 8, Employees.

The basic principles for the remuneration structure in 2012 are:

> To align the long-term interests and objectives of the employees with those of the shareholders.
> To ensure a market-based and competitive level of compensation that enables the company to attract and retain employees.
> To offer an individualized salary based on each employee's performance, work duties, expertise, experience and position.

Orc's remuneration and benefits to senior executives consist of: basic salary, annual variable salary, pension consisting of premiums equal to 15–20% of basic salary, health insurance, medical insurance, parking benefits and the opportunity to participate in Orc's long-term incentive programs according to the detailed terms of such programs. Termination benefits may not exceed 12 monthly salaries and only senior executives are entitled to receive such benefits.

The variable salary component can be based the development of the entire company or that part of the company in which the executive is employed. This development refers to the attainment of predetermined targets. Such targets are determined by the Board and can be related to the financial results or the company's sales performance. The maximum amount of annual variable salary is between 10–60 % of basic salary (except in the case of senior executives with direct sales responsibility, for which there is no ceiling). In addition, compensation may be paid as part of long-term incentive plans adopted by an Annual General Meetings of Orc Group AB.

The salaries of senior executives are reviewed and revised yearly, with respect to salary growth in the market, the employee's performance, changed responsibilities and the company's development.

Capital structure

In 2011 the Orc share was traded on NASDAQ OMX Stockholm under the ticker symbol ORC. Each share in Orc entitles the holder to one vote at the Annual General Meeting and grants equal rights to participate in the company's assets and profits.

Orc's share capital at year-end 2011 amounted to SEK 2,350,527 and was divided between 23,505,275 shares.

At December 31, 2011, Orc had 131,000 (133,900) outstanding options registered to employees. The options have a maximum potential dilutive effect of 0.5% on the number of shares and votes in the company. The 2009/2011 option program could increase the share capital by a maximum of SEK 13,100 and 131,000 shares during 2012. At December 31, 2011, the options had no dilutive effect on earnings per share.

Orc held no shares in treasury at year-end 2011. At December 31, 2011, there were no agreements between shareholders limiting the right to transfer shares.

The Orc share was delisted from NASDAQ OMX Stockholm on March 9, 2012.

Appropriation of earnings

Orc Group AB (publ)

Funds at the disposal of the Annual General Meeting:	SEK
Share premium reserve	1,412,445,339
Retained earnings	–26,788,600
Income for the year	–110,988,165
Total	**1,274,668,574**

The Board Of Directors and Chief Executive Officer propose that these funds be allocated as follows:	SEK
A shareholder dividend of SEK 0 per share, totaling	–
To be carried forward to new account	1,274,668,574
Total	**1,274,668,574**

Proposed dividend

For 2011 the Board of Directors proposes an annual dividend of SEK 0 per share (7), equal to a total distribution of SEK 0 (163,706,550) for 2011.

Statement of assurance

The Board of Directors and Chief Executive Officer hereby give their assurance that the consolidated accounts and annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with generally accepted accounting standards and give a true and fair view of the financial position and results of operations of the Parent Company and the Group, and that the directors' report gives a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, April 11, 2012

PER E LARSSON
Board Chairman

CHRISTIAN FRICK
Board member

FREDRIK NÄSLUND
Board member

THOMAS BILL
CEO

Our audit report was submitted on April 11, 2012

Ernst & Young AB

OLA WAHLQVIST
AUTHORIZED PUBLIC ACCOUNTANT

Consolidated income statement

JANUARY 1 - DECEMBER 31 SEK THOUSANDS	Note	2011	2010
OPERATING REVENUE	5		
System revenue		690,282	726,382
Transaction revenue		212,062	232,630
Other revenue		20,736	17,662
Operating revenue		**923,080**	**976,674**
OPERATING EXPENSES	6		
Cost of goods sold		–28,608	–32,294
Transaction costs		–135,956	–147,408
External expenses			
Costs for premises	16	–38,549	–44,445
Telecom expenses		–83,005	–70,219
Other external expenses	10	–133,453	–159,663
Personnel costs	8, 23	–375,572	–402,069
Work performed by the company for its own use and capitalized	17	67,715	50,461
Amortization, depreciation and impairment losses	9	–268,622	–84,889
Foreign exchange differences	11, 12	–912	–14,644
Operating expenses		**–996,962**	**–905,170**
Operating income		**–73,882**	**71,504**
FINANCIAL ITEMS	13		
Financial income		9,646	1,995
Financial expenses		–6,910	–2,523
Net financial items	5	**2,736**	**–528**
Income after financial items		**–71,146**	**70,976**
Income tax expense	15	–32,378	–29,215
Income for the year		**–103,524**	**41,761**
Translation differences		555	–6,515
Total other comprehensive income	12	**555**	**–6,515**
Comprehensive income for the year		**–102,969**	**35,246**
Income for the year attributable to non-controlling interests		–	–
Income for the year attributable to owners of the Parent Company		–103,524	41,761
Comprehensive income for the year attributable to non-controlling interests		–	–
Comprehensive income for the year attributable to owners of the Parent Company		–102,969	35,246
Basic earnings per share, SEK	25	–4.40	1.97
Diluted earnings per share, SEK	25	–4.40	1.96
Number of shares outstanding at year-end, thousands	25	23,505	23,387
Average number of shares outstanding during the year, thousands	25	23,502	21,248

Consolidated balance sheet

DECEMBER 31 SEK THOUSANDS	Note	2011	2010
ASSETS			
Non-current assets			
Intangible assets	17		
Capitalized development costs		159,183	113,049
Goodwill		898,034	1,031,034
Other intangible assets		426,892	515,206
Property, plant and equipment	18		
Equipment		51,551	44,392
Financial assets	19, 20	180,955	168,966
Deferred tax assets	15	642	9,818
Total non-current assets		**1,717,257**	**1,882,465**
Current assets			
Current financial assets attributable to Transaction Services	19	25,807	16,973
Current receivables			
Trade receivables	19, 22	120,531	129,878
Prepaid tax	15	31,991	6,233
Other current assets	19, 24	34,330	39,312
Cash and cash equivalents	19, 31	152,210	226,315
Total current assets		**364,869**	**418,711**
TOTAL ASSETS		**2,082,126**	**2,301,176**
EQUITY AND LIABILITIES	12, 23, 25		
Equity			
Share capital		2,351	2,339
Other contributed capital		1,553,858	1,538,805
Reserves		−20,690	−21,245
Retained earnings		−72,807	195,198
Total equity		**1,462,712**	**1,715,097**
Non-current liabilities			
Deferred tax liability	15	178,657	165,437
Other non-current liabilities		1,416	976
Total non-current liabilities		**180,073**	**166,413**
Current liabilities			
Current financial liabilities attributable to Transaction Services	19	23,352	34,419
Trade payables	19, 26	22,074	21,139
Tax liabilities	15	5,053	10,224
Other current liabilities	19, 27	388,862	353,884
Total current liabilities		**439,341**	**419,666**
TOTAL EQUITY AND LIABILITIES		**2,082,126**	**2,301,176**

Consolidated statement of changes in equity

JANUARY 1 – DECEMBER 31, 2011

	Attributable to owners of the Parent Company				
SEK THOUSANDS	**Share capital**	**Other contributed capital**	**Reserves**	**Retained earnings**	**Total**
Opening balance at January 1, 2011	**2,339**	**1,538,805**	**–21,245**	**195,198**	**1,715,097**
Income for the year attributable to owners of the Parent Company	–	–	–	–103,524	–103,524
Other comprehensive income	–	–	555	–	555
Comprehensive income for the year attributable to owners of the Parent Company	**–**	**–**	**555**	**–103,524**	**–102,969**
Dividend for 2010	–	–	–	–164,537	–164,537
New share issue attributable to employees' exercise of options	12	15,053	–	–	15,065
Option program	–	–	–	56	56
Closing balance at December 31, 2011	**2,351**	**1,538,849**	**–20,690**	**–72,807**	**1,462,712**

JANUARY 1 – DECEMBER 31, 2010

	Attributable to owners of the Parent Company				
SEK THOUSANDS	**Share capital**	**Other contributed capital**	**Reserves**	**Retained earnings**	**Total**
Opening balance at January 1, 2010	**1,531**	**155,258**	**–14,730**	**308,121**	**450,180**
Income for the year attributable to owners of the Parent Company	–	–	–	41,761	41,761
Other comprehensive income	–	–	–6,515	–	–6 515
Comprehensive income for the year attributable to owners of the Parent Company	**–**	**–**	**–6,515**	**41,761**	**35,246**
Dividend for 2009	–	–	–	–154,684	–154,684
Paid-up capital, unregistered 2009	11	–11	–	–	–
New share issue attributable to business combination	791	1,375,778	–	–	1,376,569
New share issue attributable to employee's exercise of options	6	7,646	–	–	7,652
Option program	–	134	–	–	134
Closing balance at December 31, 2010	**2,339**	**1,538,805**	**–21,245**	**195,198**	**1,715,097**

Cash flow statement

JANUARY 1 - DECEMBER 31 SEK THOUSANDS	Note	Group 2011	2010	Parent Company 2011	2010
OPERATING ACTIVITIES					
Operating income		–73,882	71,504	–84,608	119,259
Adjustments for non-cash items					
Amortization, depreciation and impairment losses	9	268,622	84,517	182,368	6,844
Other adjustments for non-cash items	30	–7,346	–154	–9,519	13,668
Financial items	13	2,736	–529	12,806	2,224
Income tax paid	15	–40,816	–28,137	–39,338	–34,406
Cash flow from operating activities before changes in working capital		**149,314**	**127,201**	**61,709**	**105,365**
CHANGES IN WORKING CAPITAL					
Change in trade receivables		5,305	–11,494	375	19,616
Change in assets attributable to Transaction Services		–8,834	56,178	–	–
Change in other operating assets		5,213	–3,573	63,221	–93,771
Change in trade payables		838	7,123	3,653	12,957
Change in liabilities attributable to Transaction Services		–11,067	–67,970	–	–
Change in other operating liabilities		–55,755	–66,953	–2,024	16,476
Total change in working capital		**–64,300**	**–86,689**	**65,225**	**– 44,722**
Cash flow from operating activities		**85,014**	**40,512**	**126,934**	**60,643**
INVESTING ACTIVITIES					
Purchase of intangible assets	17	–71,300	–51,725	–28,073	–
Purchase of property, plant and equipment	18	–29,126	–20,167	–23,227	–10,907
Disposal of property, plant and equipment		–	207	–	–
Investments in/withdrawals from operations	4	–	138,732 *	–30,000	–63,911
Change in financial assets	20	–11,739	–48,260	–	–18
Cash flow from investing activities		**–112,165**	**18,787**	**–81,300**	**–74,836**
FINANCING ACTIVITIES					
Borrowings		100,000	–	100,000	–
Dividends	25	– 164,537	–154,684	–164,537	–154,684
New share issue, stock options		15,121	7,652	15,121	7,652
Cash flow from financing activities		**–49,416**	**–147,032**	**–49,416**	**–147,032**
Change in cash and cash equivalents		**–76,567**	**–87,733**	**–3,782**	**–161,224**
Cash and cash equivalents at beginning of year	31	226,315	314,953	91,549	252,773
Translation/foreign exchange differences in cash and cash equivalents	31	2,461	–905	–	–
Cash and cash equivalents at end of year	31	**152,209**	**226,315**	**87,767**	**91,549**

* Refers to cash and cash equivalents in Neonet on the acquisition date, amounting to SEK 151,756 thousand less the cash consideration of SEK 13,024 thousand paid in connection with the acquisition.

Parent Company income statement

JANUARY 1 – DECEMBER 31 SEK THOUSANDS	NOTE	2011	2010
OPERATING REVENUE	5, 7		
System revenue		615,497	620,993
Other revenue		8,669	7,441
Operating revenue		**624,166**	**628,434**
OPERATING EXPENSES	7		
Cost of goods sold		–24,962	–28,757
External expenses			
Costs for premises		–12,517	–11,094
Telecom expenses		–12,024	–3,728
Other external expenses	10	–336,196	–313,016
Personnel costs	8	–139,505	–135,928
Amortization, depreciation and impairment losses	9	–182,368	–6,844
Foreign exchange differences		–1,202	–9,807
Operating expenses		**–708,773**	**–509,174**
Operating income	16	**–84,608**	**119,260**
FINANCIAL ITEMS	13		
Financial income		16,369	2,339
Financial expenses		–52,835	–115
Net financial items		**–36,466**	**2,224**
Income after financial items		**–121,073**	**121,484**
Appropriations	14	27,964	–31,188
Income tax expense	15	–17,879	–24,282
Income for the year		**–110,988**	**66,014**
Comprehensive income for the year		**–110,988**	**66,014**

Parent Company balance sheet

DECEMBER 31 SEK THOUSANDS	Note	2011	2010	January 1, 2010
	3		Restated	Restated
ASSETS				
Non-current assets				
Intangible assets	17			
Other intangible assets		24,979	–	–
Property, plant and equipment	18			
Equipment		31,041	18,711	14,648
Financial assets	20			
Shares in group companies	21	1,558,559	1,729,028	288,548
Other financial assets		30	30	12
Deferred tax assets	15	34	47	9,364
Total non-current assets		**1,614,643**	**1,747,816**	**312,572**
Current assets				
Current receivables				
Trade receivables	7	101,979	101,937	125,562
Receivables from group companies		9,066	119,735	34,082
Prepaid taxes		20,796	–	–
Other current assets	24	11,812	13,635	9,119
Cash and cash equivalents	31	87,767	91,549	252,773
Total current assets		**231,420**	**326,856**	**421,536**
TOTAL ASSETS		**1,846,063**	**2,074,672**	**734,108**
EQUITY AND LIABILITIES	23, 25			
Equity				
Restricted equity				
Share capital		2,350	2,339	1,531
Paid-up capital, unregistered		–	–	10
Statutory reserve		37,437	37,437	37,437
Non-restricted equity				
Share premium reserve		1,412,446	1,440,893	57,468
Retained earnings		–26,789	28,233	39,138
Income for the year		–110,988	66,014	146,434
Total equity		**1,314,456**	**1,574,916**	**282,018**
Untaxed reserves		**132,228**	**160,192**	**129,003**
Provisions				
Deferred tax liabilities	15	1,510	916	1,383
Total provisions		**1,510**	**916**	**1,383**
Current liabilities				
Trade payables	26	15,669	12,016	11,938
Liabilities to group companies	7	120,627	127,623	88,065
Tax liabilities	15	–	16,794	22,555
Other current liabilities	27	261,573	182,215	199,146
Total current liabilities		**397,869**	**338,648**	**321,704**
Total equity and liabilities		**1,846,063**	**2,074,672**	**734,108**
Pledged assets		None	None	None
Contingent liabilities		None	None	None

Parent Company statement of changes in equity

JANUARY 1 – DECEMBER 31, 2011

SEK THOUSANDS	Share capital	Paid-up capital, unregistered	Statutory reserve	Non-restricted equity	Total
Opening balance at January 1, 2011	2,339	–	37,437	1,535,140	1,574,916
Income for the year attributable to owners of the Parent Company	–	–	–	–110,988	–110,988
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year attributable to owners of the Parent Company	**–**	**–**	**–**	**–110,988**	**–110,988**
Dividend for 2010	–	–	–	–164,537	–164,537
New share issue*	11	–	–	15,054	15,065
Closing balance at December 31, 2011	**2,350**	**–**	**37,437**	**1,274,669**	**1,314,456**

* Attributable to exercise of employee options.

JANUARY 1 – 31 DECEMBER 31, 2010

SEK THOUSANDS	Share capital	Paid-up capital, unregistered	Statutory reserve	Non-restricted equity	Total
Opening balance at January 1, 2010	1,531	10	37,437	268,644	307,622
Effect of changed accounting standards	–	–	–	–28,258	–28,258
Opening balance after changed accounting standards	**1,531**	**10**	**37,437**	**240,386**	**279,364**
Income for the year attributable to owners of the Parent Company	–	–	–	66,014	66,014
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year attributable to owners of the Parent Company	**–**	**–**	**–**	**66,014**	**66,014**
Dividend for 2009	–	–	–	–154,684	–154,684
New share issue*	6	–	–	7,646	7,652
New share issue attributable to business combination	791	–	–	1,375,778	1,376,569
Paid-up capital, unregistered	11	–10	–	–	1
Closing balance at December 31, 2010	**2,339**	**–**	**37,437**	**1,535,140**	**1,574,916**

* Attributable to exercise of employee options.

Multi-year overview

SEK MILLIONS	2001	2002	2003	2004*	2005*	2006*	2007*	2008*	2009*	2010*	2011*
INCOME STATEMENT											
Operating revenue	208.0	261.9	237.1	246.6	278.1	404.3	508.7	564.2	704.9	976.7	923.1
Operating expenses excl. amortization, depreciation, impairment losses and personnel costs	–44.9	–54.1	–56.3	–83.8	–100.9	–108.2	–122.6	–156.7	–184.8	–418.2	–352.8
Personnel costs	–69.9	–82.4	–93.2	–115.5	–133.3	–205.4	–239.9	–288.9	–291.4	–402.1	–375.6
Amortization, depreciation and impairment losses	–6.9	–10.8	–13.1	–17.7	–16.2	–23.5	–20.6	–25.3	–21.2	–84.9	–268.6
Operating income	**86.3**	**114.6**	**74.5**	**29.6**	**27.7**	**67.3**	**125.6**	**93.3**	**207.5**	**71.5**	**–73.9**
Net financial items	7.1	8.5	5.6	2.8	5.4	0.9	14.0	2.4	0.9	–0.5	2.7
Income after financial items	**93.4**	**123.1**	**80.1**	**32.4**	**33.1**	**68.2**	**139.6**	**95.6**	**208.4**	**71.0**	**–71.1**
Income tax expense	–28.4	–36.0	–23.7	–11.1	–12.6	–17.3	–38.3	–30.9	–58.0	–29.2	–32.4
Non-controlling interests' share in income for the year	0.1	0.1	–0.8	–	–	–	–	–	–	–	–
Income for the year	**65.1**	**87.2**	**55.6**	**21.3**	**20.5**	**50.9**	**101.3**	**64.7**	**150.4**	**41.8**	**–103.5**
Other comprehensive income	–	–	–	–	–	–	–	–8.7	1.5	–6.5	0.6
Comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55.9**	**151.9**	**35.2**	**–103.0**
Income for the year attributable to non-controlling interests	–	–	–	–2.1	0.4	0.9	1.3	–	–	–	–
Income for the year attributable to owners of the Parent Company	–	–	–	23.4	20.1	50.0	100.0	64.7	150.4	41.8	–103.5
Comprehensive income for the year attributable to owners of the Parent Company	–	–	–	–	–	–	–	55.9	151.9	35.2	–103.0
BALANCE SHEET											
Non-current assets	23.2	42.8	48.6	58.7	30.3	297.2	313.8	315.5	295.6	1,882.5	1,717.3
Trade receivables	38.9	36.2	40.7	43.1	48.1	82.8	138.9	171.3	124.5	129.9	120.5
Other receivables	6.7	12.3	13.0	24.5	16.7	19.6	24.2	28.7	20.3	62.5	92.1
Cash and cash equivalents	224.3	273.8	251.9	186.2	226.9	74.7	125.9	103.8	315.0	226.3	152.2
Total assets	**293.1**	**365.1**	**354.2**	**312.5**	**322.0**	**474.3**	**602.8**	**619.3**	**755.4**	**2,301.2**	**2,082.1**
Equity	191.8	245.1	244.3	199.2	192.2	258.9	334.7	331.8	450.2	1,715.1	1,462.7
Non-controlling interests	0.7	0.5	1.3	–	–	–	–	–	–	–	–
Non-current liabilities	12.4	19.6	23.6	25.3	26.3	51.2	49.4	47.1	53.3	166.4	180.1
Current liabilities	88.2	99.9	85.1	88.0	103.5	164.2	218.7	240.4	251.9	419.7	439.3
Total equity and liabilities	**293.1**	**365.1**	**354.2**	**312.5**	**322.0**	**474.3**	**602.8**	**619.3**	**755.4**	**2,301.2**	**2,082.1**

* For the years 2004–2011, the accounts are presented in compliance with IFRS. The accounts for 2001–2003 are presented according to the previously applied accounting standards.

Key ratios

SEK MILLIONS UNLESS OTHERWISE STATED	2001	2002	2003	2004	2005	2006	2007	2008**	2009	2010	2011
Operating margin, %	41.1	41.6	29.9	11.9	10.0	16.6	24.7	16.5	29.4	7.7	–8.0
Profit margin, %	31.0	31.7	22.3	9.5	7.9	12.6	19.9	11.5	21.3	4.5	–11.2
RETURN											
Return on capital employed, %	55.2	56.5	33.3	17.2	18.9	30.5	48.6	28.9	53.3	7.0	–4.0
Return on equity, %	38.4	39.9	22.7	10.6	10.4	22.4	33.9	19.4	38.5	4.1	–6.5
CAPITAL STRUCTURE											
Working capital	–32.4	–28.7	–7.6	–7.2	–34.7	184.2	208.8	228.0	135.2	1,525.8	1,333.9
Capital employed	191.1	244.6	245.6	199.2	192.2	258.9	334.7	331.8	450.2	1,752.1	1,502.3
Equity	191.8	245.1	244.7	199.2	192.2	258.9	334.7	331.8	450.2	1,717.7	1,462.7
Interest-bearing net debt	–224.3	–273.8	–251.9	–186.2	–226.9	–74.7	–125.9	–103.8	–315.0	–191.9	–112.7
Capital turnover rate, multiple	1.2	1.3	1.0	1.2	1.4	1.9	1.8	1.7	1.8	0.9	0.6
Net debt/equity ratio, multiple	–1.2	–1.1	–1.0	–0.9	–1.2	–0.3	–0.4	–0.3	–0.7	–0.1	–0.1
Equity/assets ratio, %	65.4	67.1	69.0	63.8	59.7	54.6	55.5	53.6	59.6	74.8	70.3
CASH FLOW AND LIQUIDITY											
Cash flow before investments	99.1	115.5	56.0	32.6	51.0	93.8	100.1	62.4	261.4	40.5	85.0
Cash flow after investments	85.0	83.6	34.5	3.1	59.0	–98.3	81.6	30.8	249.8	59.3	–27.2
Cash and cash equivalents	224.3	273.8	251.9	186.2	226.9	74.7	125.9	103.8	315.0	226.3	152.2
Self-financing ratio, multiple	7.0	3.6	2.6	1.1	–6.4 *	0.5	5.4	1.9	22.5	–2.2*	0.8
INVESTMENTS											
Investments in non-current assets	–14.1	–31.9	–21.5	–29.6	7.9	–192.1	–18.5	–31.6	–11.6	–119.9	–112.2
EMPLOYEES											
Average number of employees	94	124	137	157	186	227	263	275	253	342	380
Revenue per employee	2.2	2.2	1.8	1.6	1.4	1.8	1.9	2.1	2.8	2.9	2.4
Value added per employee	1.7	1.6	1.2	0.9	0.9	1.2	1.4	1.4	2.0	1.4	0.8

* The company's investments in 2005 were negative due to repayment of the loan to Hun Research, which resulted in a negative self-financing ratio for that year. The company's investments in 2010 were negative due to the fact that cash and cash equivalents in Neonet at the acquisition date were higher than the cash consideration paid in connection with the acquisition. This resulted in a negative self-financing ratio for that year.

** As of January 1, 2008, foreign exchange differences are recognized net within operating expenses. See Note 12. Restated from 2004 onward.

Cash flow

SEK MILLIONS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenue	208.0	261.9	237.1	246.6	278.1	404.3	508.7	564.2	704.9	976.7	923.1
Operating expenses excl. amortization, depreciation and impairment losses	–114.8	–136.5	–149.5	–199.3	–234.2	–313.6	–362.5	–445.6	–476.2	–820.3	–728.3
Income before amortization, depreciation and impairment losses	**93.2**	**125.4**	**87.6**	**47.3**	**43.9**	**90.7**	**146.2**	**118.6**	**228.7**	**156.4**	**194.8**
Change in working capital	20.7	4.2	–2.6	0.5	6.5	12.5	–18.4	–50.8	49.5	–86.7	–64.3
Investments in non-current assets	–14.1	–31.9	–21.5	–29.6	7.9	–192.1	–18.5	–31.6	–11.6	–119.9	–112.2
Cash flow after investments in non-current assets	**99.8**	**97.7**	**63.5**	**18.2**	**58.3**	**–88.9**	**109.3**	**36.2**	**266.6**	**–50.2**	**18.3**

Notes

Note 1. Corporate information

The consolidated accounts of Orc Group AB (publ), corporate identity number 556313-4583, domiciled in Stockholm, for the financial year 2011 have been prepared by the Board of Directors and the Chief Executive Officer. The annual report was approved by the Board of Directors on April 11, 2012, and will be presented to the Annual General Meeting for adoption on April 26, 2012. The Parent Company is a Swedish public limited company (publ) that was listed on NASDAQ OMX Stockholm during 2011.

The Group's primary business activity is to provide the global financial sector with solutions for advanced trading and low latency connectivity. Through the merger with Neonet, Orc also offers professional market participants independent, high-speed execution services that are regulated by the Swedish Financial Supervisory Authority. Orc's subsidiary CameronTec is the financial industry leader in FIX infrastructure and connectivity solutions.

Note 2. Basis of presentation

The consolidated financial statements are based on the historical cost convention, with the exception of financial derivatives, available-for-sale financial assets and financial assets at fair value through profit or loss. These exceptions are measured at fair value. The consolidated financial accounts are presented in SEK and are rounded off to the nearest thousand, unless otherwise specified.

Compliance with norms and laws

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, which is in compliance with Swedish law through the application of the Swedish Financial Reporting Board's recommendations RFR 1 – Supplementary Accounting Rules for Groups, and RFR 2 – Accounting for Legal Entities, in the Parent Company.

As a consequence of Orc's working methods, where there is a high degree of overlap between sales and support and between sales and development activities, Orc presents profit/loss in accordance with the principles for an income statement classified by cost type.

Scope of consolidation

The consolidated financial statements include the Parent Company and all subsidiaries in which the Parent Company directly or indirectly has a controlling influence, as well as associated companies in which the Parent Company has a significant influence. Subsidiaries are consolidated from the date on which the Parent Company assumes control and until the date such control ceases. The financial statements of the subsidiaries cover the same reporting period as those of the Parent Company and their financial statements are prepared according to the same accounting policies. Companies that are acquired during the year are included in the consolidated accounts from the date on which the controlling or significant influence passes to the Group and until the date on which the influence ceases.

All intra-group revenue, expenses, gains or losses arising from intra-group transactions are eliminated in full on consolidation.

In the consolidated financial statements, current assets essentially consist of amounts that are expected to be recovered within 12 months from the closing date. An asset that is recovered more than 12 months from the closing date is classified as non-current. Current liabilities essentially consist of amounts that are expected to be settled within 12 months from the closing date. A liability that is settled more than 12 months from the closing date is classified as non-current. When the criteria for assets and liabilities are not met, these are derecognized from the balance sheet.

General accounting policies

BUSINESS COMBINATIONS AND GOODWILL

Business combinations on or after January 1, 2010

Business combinations are reported according to the acquisition method of accounting, whereby the cost of an acquisition is measured as the acquisition date fair value of consideration transferred and the amount of any non-controlling interests in the acquiree. On an acquisition-by-acquisition basis, the acquirer must record non-controlling interests either at fair value or as their proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are reported as administrative expenses.

For business combinations achieved in stages (step acquisitions), the acquisition date fair value of any previously held equity interests are remeasured at fair value and value changes are recognized in profit or loss.

Goodwill is initially recognized at cost and represents the difference between the fair value of purchase consideration given in connection with an acquisition, the amount of any non-controlling interests and the fair value of identifiable net assets acquired and liabilities assumed. If the fair value of consideration transferred is lower than the Group's share in the fair value of the acquiree's net assets, the difference is recognized in profit or loss.

Goodwill is subsequently measured at cost less accumulated impairment losses. For impairment testing, goodwill arising on acquisitions is allocated from the acquisition date to the cash-generating units in the Group that are expected to benefit from the acquisition, regardless of whether the acquiree's assets and liabilities are allocated to these units.

BUYOUT OF NON-CONTROLLING INTERESTS

When Orc has acquired shares from a non-controlling interest, this has been regarded as an owner transaction. According to this method, no gains or losses arise in the consolidation income statement on the purchase or sale of shares in companies where Orc has a controlling interest both before and after the transaction. Instead, the transaction is recognized directly in equity.

ASSOCIATED COMPANIES

Where applicable, associated companies are reported according to the equity method. The consolidated income statement reflects the Parent Company's share in profit/loss of associated companies, which is recognized in financial items. In the balance sheet, the value of the investment in associated companies is recognized as a separate item. This value changes with the Parent Company's share in the respective company's profit/loss after tax, less dividends received and other adjustments. Undistributed profits in associated companies are recognized in retained earnings in consolidated equity.

TRANSLATION OF FOREIGN CURRENCY

The consolidated financial statements are presented in SEK, which is also the functional currency of the Parent Company.

The subsidiaries use the local currency of their respective countries as the functional currency.

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the rate of exchange ruling on the transaction date. Receivables and liabilities in foreign currency are translated at the closing day rate of exchange.

Continued Note 2

Financial statements of foreign subsidiaries

The balance sheets of foreign subsidiaries are translated to SEK at the closing day rate of exchange and all items in the income statement are translated at the average rate during the year. Any translation differences thus arising are recognized in other comprehensive income.

Goodwill and other surplus values arising on the acquisition of foreign operations are treated as assets of this operation and are translated to SEK at the closing day rate of exchange.

REVENUE RECOGNITION

Revenue is recognized in the income statement when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. The Group's revenue consists of system revenue, transaction revenue and other revenue.

System revenue

Recurring revenue

The Group's total revenue consists mainly of revenue from software licenses where the software itself as well as service, support and upgrades are included in the licensing fee. A minor share of recurring revenue is attributable to network rental. The majority of sales are billed quarterly in advance and revenue is recognized over the quarter to which the billing refers.

In 2011, revenue of this type accounted for 74% of total revenue (73).

Upfront licenses

For a limited share of software licenses Orc instead receives an initial payment upon delivery, with a recurring annual support and maintenance fee. Revenue on the initial payment is recognized on the billing date. Support and maintenance fees are recognized during the period in question and reported as recurring revenue.

Transaction revenue

Transaction revenue refers mainly to the Group's provision of brokerage services to professional customers in the global financial markets. Transaction revenue is recognized on the same date as the completion of the underlying transaction, i.e. on the settlement date.

Other revenue

Other revenue consists mainly of revenue from consulting services, training and hardware sales relating to the Group's core operations, i.e. technology sales and transaction services. Revenue from consulting and training operations is recognized in the period in which the transaction takes place, while revenue from hardware sales is recognized when the significant risks and rewards of ownership of the product have been transferred to the buyer. In 2011, revenue of this type accounted for 2% of total revenue (2).

Interest income

Interest income is recognized when earned based on the established values of financial assets. Interest income is included in financial income in the income statement.

Dividends received

Dividends received are recognized when the company's right to receive payment has been established.

SALES COMMISSIONS

Sales commissions are payable on new sales and are based on the annualized value of sold licenses. Commissions are paid quarterly in arrears. This means that the company pays and expenses the sales commission upon completion of the sale, while the related revenue is recognized over the term of the contract, normally 12 months thereafter. Commission levels are adjusted on an annual basis.

LEASES

The determination of whether a contract is, or contains, a lease is based on the substance of the contract. An assessment is made based on whether fulfillment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

Leases are classified as either finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. For operating leases, the lease payments are recognized in the income statement over the lease term according to the pattern of benefit. Orc only has operating lease commitments relating to leases for properties and equipment for these properties.

SEGMENT REPORTING

As a result of the integration between Orc Group and Neonet, as of 2011 Orc Group's internal reporting and the way in which the chief operating decision-maker reviews operating results are structured according to the identified segments Orc, Neonet and CameronTec, whose operations are of differing natures and cater to partly different customers.

Orc

The Orc segment consists of the Group's development, sales and support of products under the Orc brand and all directly related revenue and expenses. The products and services in the Orc segment are of a similar nature, cater to a similar category of customers, are distributed in a similar manner and have a similar production process. The products are sold worldwide, mainly through wholly owned subsidiaries whose operations consist primarily of sales and support activities, and in certain cases also development.

Neonet

Neonet consists of brokerage services under the Neonet brand and all directly related revenue and expenses.

CameronTec

CameronTec consists of development, sales and support of products under the Cameron brand and all directly related revenue and expenses.

Group-wide

Group-wide costs, among other things for management and support functions, have been allocated to the identified segments through the use of allocation keys.

Amortization of intangible assets attributable to business combinations has not been allocated to the identified segments but is instead recognized under the heading "Group-wide".

Segment assets and liabilities

A segment-based allocation of the Group's assets and liabilities has not been carried out and is therefore not included in calculation of any key ratios. As a result, Orc does not present any such information under segment reporting.

Geographic market
In a breakdown of revenue and non-current assets by geographical market, EMEA refers to customers in Europe, the Middle East and Africa, APAC to customers in Asia Pacific, and Americas to customers in the USA, Canada, Mexico and Brazil.

POST-RETIREMENT BENEFITS
Post-retirement benefit plans are classified as either defined contribution or defined benefit plans. Orc's post-retirement benefits are of the defined contribution type. For defined contribution plans, the company's obligation is fulfilled when the predetermined fee is paid to a separate legal entity. The employee then assumes the financial risk and the company has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The fees are expensed when they are paid.

SHARE-BASED PAYMENT
Orc has implemented option programs for the benefit of its employees, of which one was active during 2011. The programs are divided into two sub-groups, one for employees in Sweden and one for employees outside Sweden. Employees in Sweden are invited to acquire options at market price. Employees outside Sweden receive options free of charge on the condition that they remain employed at the time of subscription for shares.

For the employees who acquire subscription warrants at fair value, this gives rise to no benefit and therefore no personnel cost in the income statement. The option premium paid for the warrants has increased the Group's cash and cash equivalents and equity by a corresponding amount.

The options awarded to employees free of charge are regarded as a benefit and are expensed in the income statement on a straight-line basis over the vesting period in accordance with IFRS 2.

Orc's programs refer to equity-settled share-based payments, which means that the fair value of the option at the date of grant multiplied by the number of options granted is determined and expensed over the vesting period. A corresponding amount is recognized as an increase in equity. The number of options granted is reduced by the estimated rate of employee turnover. Any employment terminations and the estimated employee turnover rate are taken into account in every valuation, and any adjustments are recognized as an increase or decrease in personnel costs. However, no adjustment is made with respect to the fair value of the options.

In accordance with UFR 7, IFRS 2 and Social Security Contributions for Listed Companies, estimated social security contributions are calculated. The percentage rate for social security contributions or similar in the country where the option holder resides is multiplied by the market value of options granted on the respective balance sheet date. After taking estimated employee turnover into account, a personnel cost is expensed. Consequently, in this calculation a change in the fair value of the option will lead to an adjustment in the recognized cost of social security contributions.

INCOME TAX
Income taxes in the consolidated income statement consist of current tax and deferred tax. Deferred tax is calculated on the basis of temporary differences between the tax base of an asset or liability in a company and its carrying amount in the Group. Deferred tax is primarily attributable to appropriations in the Swedish companies and deferred tax liabilities attributable to acquisitions.

EARNINGS PER SHARE
Earnings per share are stated before and after dilution. Diluted earnings per share are calculated after adjustment for the effects of dilutive options in the company. The dilutive effect arising from Orc's option programs is calculated with respect to the value of future services to be delivered by the employees to the Group.

INTANGIBLE ASSETS
Useful life of intangible assets
The Group has assessed the useful lives of trademarks/brands, customer relationships and technology identified in the purchase price allocations for Cameron Systems and Neonet AB, which have affected the reported costs for amortization in the income statement and the valuation of assets in the balance sheet.

Development costs
The main principle is that research and development costs for existing market connections and client applications are expensed as incurred. Costs for the development of new products are capitalized as intangible assets in the Group only when they meet the following criteria:
> it is probable that the future economic benefits attributable to the asset will flow to the Group,
> the cost of the asset can be measured reliably,
> the company has the intention and ability to complete the asset,
> the company has adequate technical, financial and other resources to complete development and to use or sell the asset, and
> the cost of completing the intangible asset can be measured reliably.

Significant documents for verification of capitalizations can include business plans, budgets, actual outcomes and assessments of future outcomes.

The historical cost of an internally generated intangible asset is the sum of the costs arising from the date on which the intangible asset first meets the criteria stated above until the asset is completed and ready for use. Internally generated intangible assets are amortized on a straight-line basis over the useful life of the asset, from the date on which the asset is ready for use.

Internally generated intangible assets are stated at cost less accumulated amortization and impairment losses and are tested for impairment at least annually, or more frequently if events or circumstances indicate that the value may not be recoverable. These intangible assets are recognized in "Capitalized development costs".

This also includes Neonet's electronic trading and administrative systems. Until the end of 2010, costs directly associated with the development of identifiable software products were capitalized when the above criteria had been met. The systems are amortized over a period of 40 months. Amortization of new versions is started when these are deployed. The systems are tested for impairment regularly.

Internal work on assets capitalized as intangible assets is recognized under the heading of "Work performed by the company for its own use and capitalized" in the income statement. Most of this item consists of personnel costs, costs for premises and external consulting services. Work performed by the company for its own use and capitalized is a cost reduction in the consolidated income statement.

Other intangible assets
The item "Other intangible assets" includes intangible assets identified in the acquisitions of Cameron Systems and Neonet. The historical cost of these items is their fair value on the acquisition date.

he assets are subsequently stated at cost less accumulated amortization and impairment losses. The useful life of intangible assets is classified as either indefinite or definite. Intangible assets with definite useful lives are amortized over their estimated useful lives and are tested for impairment if events or circumstances indicate that the value may not be recoverable. Intangible assets with indefinite useful lives are not amortized and their recoverable value is calculated annually.

Other intangible assets attributable to the acquisition of Cameron Systems consist of trademarks/brands, customer relationships and technology, and are amortized on a straight-line basis over their useful lives, which are estimated at 60, 120 and 180 months, respectively, from the acquisition date.

Other intangible assets attributable to the acquisition of Neonet AB consist of customer relationships and customer contracts, trademarks/brands, technology and exchange memberships. The useful lives of trademarks/brands and exchange memberships have been classified as indefinite and these assets are not amortized. The useful lives of customer relationships and customer contracts have been estimated at 108 months and the useful life of technology at 96 months.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, and are tested for impairment if events or circumstances indicate that their value may not be recoverable.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Servers	60 months
Other computers and IT equipment	36 months
Other equipment	60 months

Capitalized costs for improvement of rented premises are depreciated over the term of the lease.

The carrying amounts of Orc's assets are reviewed at each balance sheet date to look for any indication that an asset may be impaired. If there is an indication of impairment, the asset's recoverable amount is calculated and an impairment loss is recognized to adjust the asset's value accordingly.

The depreciation methods and useful lives of property, plant and equipment are also reviewed yearly. If a significant change has taken place, this is regarded as a changed accounting estimate and is recognized in the income statement in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities that are covered by IAS 39, Financial instruments: Recognition and Measurement, are classified in one of the following sub-groups: Financial assets and liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial liabilities measured at amortized cost. Financial assets and liabilities are initially measured at cost, corresponding to fair value including transaction costs directly attributable to the acquisition. The exception to this rule is transaction costs attributable to financial assets and liabilities at fair value through profit or loss, where transaction costs are not included in historical cost.

Financial assets and liabilities at fair value through profit or loss

This category consists of financial assets and liabilities held for trading and other financial assets and liabilities which the company has designated to this category on initial recognition. A financial asset or liability is classified in this category if it is acquired or held for the purpose of selling in the short term. Financial assets and liabilities in the form of derivatives are measured at fair value through profit or loss in cases where hedge accounting is not applied. Assets in this category are recognized as current assets and are classified as pledgeable treasury bills and bonds and other fixed income securities. Liabilities in this category are classified in the balance sheet under "Other liabilities".

The fair value of derivative contracts is recognized gross in the balance sheet. Value changes are reported net and included in "Other external expenses".

Held-to-maturity investments

Orc's short-term investments are stated at amortized cost since these are normally not redeemed prematurely. Returns on short-term investments are recognized in financial income in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Assets in this category are subsequently measured at amortized cost less impairment losses. Gains and losses are recognized in the income statement when the loan or receivable is derecognized from the balance sheet or until the value of the financial asset is written down. Trade receivables are initially measured at the billed amount. Provisions for doubtful debts are made when it is no longer probable that the full amount of the receivable will be recovered. Doubtful debts are not written off in full until the loss is confirmed. Assets in this category are recognized in current financial assets attributable to Transaction Services, trade receivables, financial assets, certain other current assets and cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which have been designated to this category on initial recognition or assets not designated to any other category. These financial assets are subsequently recognized at fair value in equity until the asset is derecognized from the balance sheet or until the value of the financial asset is written down.

Long-term shareholdings that do not comprise shares in subsidiaries or associated companies have been classified in this category. The Group's holdings in this category are recognized in "Shares and participations".

Financial liabilities measured at amortized cost

Other financial liabilities are recognized at amortized cost, where cost is measured at fair value on the acquisition date. For borrowings, this corresponds to the amount received less any transaction costs.

Current financial liabilities attributable to Transaction Services, trade payables and certain other liabilities belong to this category.

Other accounting policies for financial instruments

The purchase or sale of a financial instrument is recognized on the trade date, i.e. the date on which Orc commits to buy or sell the asset or liability. A financial instrument is derecognized from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and Orc has transferred substantially all of risks and rewards of ownership. Other financial liabilities are measured at amortized cost. The fair value of listed instruments is based on quoted market prices.

Continued Note 2

If the market for a certain financial assets is not active (and for unlisted securities), the Group determines fair value through the use of appropriate valuation techniques.

DERIVATIVES AND HEDGE ACCOUNTING

When hedge accounting is applied, the derivatives are classified as cash flow hedges. Hedge accounting, in accordance with IAS 39, is applied only when there is a clear connection to the hedged item, the hedge is expected to be highly effective, the hedge is formally designated and documented and hedge effectiveness can be reliably measured.

Hedges of forecasted flows – cash flow hedges

Foreign exchange exposure in respect of future forecasted flows can be hedged through forward exchange contracts in accordance with the company's finance policy. Forward exchange contracts that hedge a forecasted flow are stated at fair value in the balance sheet. In cases where hedge accounting is applied for forecasted flows, fair value changes are recognized in other comprehensive income. Fair value changes are recognized in equity until the hedged flow affects the income statement or the hedged future cash flow refers to a transaction that is capitalized in the balance sheet. When this occurs, the fair value reserve is dissolved since the hedged item is recognized in the balance sheet. When a hedge instrument expires or is sold, terminated or exercised, or the company revokes identification of the hedge relationship before the hedged transaction occurs and the forecasted transaction is still expected to occur, the cumulative gains/losses are retained in a fair value reserve in equity and are recognized in a similar manner as above when the transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains/losses deferred in equity are immediately released to the income statement. Since the second quarter of 2008, Orc's policy is not to continuously hedge operating cash flows in foreign currency.

TRADE RECEIVABLES

On the balance sheet date, the Group has estimated the value of trade receivables in accordance with the information stated under "Loans and receivables" above. These estimates may change in future accounting periods when the Group updates its assessment of the likelihood of recovering these trade receivables.

RELATED PARTY TRANSACTIONS

Related parties are companies that directly or indirectly have a significant influence over Orc. Subsidiaries and associated companies are also defined as related parties. Related physical persons are defined as Board members, key management personnel and close family members to these individuals. Disclosures are made if related party transactions lead to the transfer of resources, services or obligations between related parties, regardless of whether payment is made. This information includes disclosures about the nature of the related party relationship and about the effects of this relationship on the financial reports.

All related party transactions are carried out with the application of market-based principles.

CASH FLOW STATEMENT

The cash flow statement analyzes the Group's and the Parent Company's incoming and outgoing payment flows during the period classified according to operating activities, investing activities and financing activities. This analysis is useful in assessing the Group's ability to generate cash and cash equivalents. The cash flow statement is presented in accordance with the indirect method, whereby net incoming and outgoing payment flows in operating activities are adjusted for:

> the period's change in trade receivables and trade payables and other operating assets and liabilities,
> non-cash items such as amortization, depreciation, provisions and deferred taxes, and
> all other items whose cash flow effects are attributed to investing or financing activities.

Cash and cash equivalents in the cash flow statement include highly liquid short-term investments that can be easily converted into a known amount, are exposed to insignificant risk and have a maximum maturity of three months.

Changes in accounting standards and disclosures for the Group

In 2011 the Group applied the same accounting standards as in the previous year with the exception of the following:

NEW AND CHANGED IFRSs AND IFRIC INTERPRETATIONS IN 2011

In 2011 the Group applied the same accounting standards as in the previous year with the exception of the following new and changed IFRSs and IFRIC interpretations that are effective for annual periods beginning on or after January 1, 2011. Compliance with these standards and interpretations has not had any significant impact on the financial statements of the Group. The other changes and interpretations have not been deemed relevant for Orc's operations.

IAS 24 Related Party Transactions (revision)

The revised standard is effective for annual periods beginning on or after January 1, 2011, and clarifies the definition of a related party in order to simplify identification of these and eliminate inconsistencies in application.

Annual improvements to IFRSs (improvement project)

The annual improvements to IFRSs published by the IASB in May 2010 contain a number of changes in existing standards. The changes are effective for annual periods beginning on or after July 1, 2010, or on or after January 1, 2011. The following changes are relevant for the Group: IFRS 3 Business Combinations, IFRS 7 Financial Instruments: Disclosures, IAS 1: Presentation of Financial Statements, and IAS 27 Consolidated and Separate Financial Statements. However, these have not had any impact on the Group's financial position or results.

FUTURE CHANGES IN ACCOUNTING STANDARDS

A number of new or changed standards have been issued and are intended to be effective for annual periods beginning on or after January 1, 2011. Comments on the changes that can be expected to have an impact on the Group's applied accounting policies under the present circumstances are provided below.

IFRS 7 Financial Instruments: Disclosures (amendment). The amendments contain additional qualitative and quantitative disclosure requirements regarding derecognition of financial instruments from the balance sheet.

IFRS 9 Financial Instruments: Recognition and Measurement. IFRS 9 is the first step in the IASB's process of replacing IAS 39 and deals with recognition and measurement of financial assets according to the definition in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. The application of the first phase of IFRS 9 will affect the Group's recognition and measurement of financial assets. The effects will be quantified when all parts of IFRS 9 have been issued.

Continued Note 2

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (amendment). IFRS 10 is effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces the section of IAS 27 that deals with the presentation and preparation of consolidated financial statements. IFRS 10 sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.

IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Entities that have an interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities are required to provide extensive qualitative and quantitative disclosures about their respective interests.

IFRS 13 Fair Value Measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. IFRS 13 establishes a single framework for measuring fair value where that is required by other IFRS standards.

IAS 1 Presenting Comprehensive Income (proposed amendments). IAS 1 is effective for annual periods beginning on or after July 1, 2012. The amendments would result in a change in the grouping of transactions that are recognized in other comprehensive income. The proposals do not change the actual content of other comprehensive income, only its presentation.

IAS 19 Employee Benefits (amendment). IAS 19 is effective for annual periods beginning on or after January 1, 2013. The amendment requires significant changes in the accounting treatment of defined benefit pension plans.

However, these are not expected to have any impact on the Group's financial position or results.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors that can be considered reasonable under the prevailing circumstances. The results of these estimates and assumptions are then used to assess the reported values of assets and liabilities that are not clearly determinable from other sources. Actual outcomes may differ from these estimates and assumptions.

In preparing Orc's consolidated accounts, the Board and CEO have come to the conclusion that valuation of goodwill, intangible assets and trade receivables and the conditions for capitalization of development costs are the critical areas where other estimates and assumptions could have an impact on the Group's results and financial position.

Note 3. Accounting policies of the Parent Company

The differences between the accounting policies of the Group and the Parent Company are motivated by limitations in the scope for IFRS conformity in the Parent Company due to its application of the Swedish Annual Accounts Act and the taxation rules that permit a different accounting treatment for legal entities than for the Group.

The Parent Company applies RFR 2 – Accounting for Legal Entities. Below is a description of the most significant differences between the accounting policies applied in the Group and in the Parent Company.

Untaxed reserves

Tax laws in Sweden allow companies to defer payment of taxes through allocations to untaxed reserves in the balance sheet via the income statement item "Appropriations". The Parent Company can consequently recognize untaxed reserves in the balance sheet and appropriations in the income statement. In the consolidated balance sheet, these are treated as temporary differences, i.e. are divided between deferred tax liability and equity.

In the consolidated income statement, allocations to or reversal of untaxed reserves are divided between deferred tax and profit or loss for the year.

Group companies

In the Parent Company, shares in Group companies are stated at historical cost less impairment.

Group contributions

Group contributions that a parent company receives from a subsidiary are recognized in financial income and group contributions that a parent company pays to a subsidiary are recognized either in shares in subsidiaries, i.e. in the same manner as shareholder contributions, or as a cost due to the connection between accounting and taxation.

Associated companies

Investments in associated companies are accounted for in the Parent Company according to the cost method of accounting. Dividends received are recorded as revenue only on the condition that these derive from profits arising after the acquisition date. Dividends in excess of these profits are regarded as a repayment of the investment and reduce the carrying amount of the company's interest. The value is tested for impairment at least annually.

Work performed by the company for its own use and capitalized

In the accounts of the Parent Company, RFR 2 permits expensing of such development costs that qualify for recognition as an asset in the balance sheet according to IAS 38. As of January 1, 2011, the Parent Company expenses development costs as incurred. The previously capitalized development costs have been expensed in accordance with RFR 2, which has led to a decrease in the Parent Company's opening balance by SEK 59,025 thousand. As a result of this change, the Parent Company's balance sheet at January 1, 2010, and at December 31, 2010, has been restated.

Presentation of the balance sheet and income statement, and terminology

The presentation of the income statement and balance sheet and the terminology used by the Group and the Parent Company may differ, since the Group complies with IAS 1 and the Parent Company with the Swedish Annual Accounts Act as well as the requirements in RFR 2 – Accounting for Legal Entities.

Note 4. **Business combinations**

No acquisitions were carried out during 2011.

Acquisition of Neonet AB

On April 7, 2010, Orc Group AB acquired 96.6% of the votes and share capital in the listed Swedish company Neonet AB including its wholly owned subsidiaries Neonet Securities AB (Sweden), Neonet Securities Inc. (USA) and Neonet Technology AB (Sweden) from Neonet's shareholders through a public offer. The shareholders in Neonet were offered 0.125 newly issued shares in Orc for each share in Neonet, which meant one newly issue share in Orc for each full eight count of shares in Neonet. Shareholders with a holding of not more than 599 shares in Neonet were offered a cash amount of SEK 19,625 per share. After the extended acceptance period ending on April 21, 2010, an additional 1.7% of Neonet's shareholders accepted the offer, which gave Orc a total of 98.3% of the votes and share capital in Neonet. On May 3, 2010, Orc initiated compulsory redemption of the remaining 1.7%. Following completion of the compulsory redemption procedure, Orc holds 100% of the shares in Neonet. In July 2011 the outstanding shares were acquired for SEK 23.7m in accordance with the arbitration ruling announced on May 23, 2011. For practical reasons, Neonet has been consolidated in the Group as of April 1, 2010, since these operations were not significant for the Group during the first seven days. The fair value of the newly issued shares in Orc Group AB was set at the market price on April 7, 2010, which corresponds to the acquisition date.

Neonet is a global agency brokerage and technology provider that offers sophisticated brokerage services and efficient trading software solutions for securities trading on the world's leading marketplaces. Neonet's customers include banks, brokerage firms, institutional investors, hedge funds and marketplaces in more than 20 countries.

The main motive for the acquisition is to create an even stronger global player in technology and services for advanced trading with financial instruments. Orc has technology for derivatives trading and connectivity, while Neonet has solutions and technology services for equity trading and hosted technology solutions.

The values of Neonet's acquired assets and assumed liabilities as reported at December 31, 2010, were based on a preliminary assessment of Neonet's fair values. In the second quarter of 2011, the final measurement was established and showed changed values compared to the preliminary assessment. The comparative figures for 2010 have been restated to show the revised values, leading to an increase in the value of identified intangible assets by SEK 32,523 thousand and deferred tax liabilities by SEK 8,554 thousand, and a resulting reduction in goodwill by SEK 23,969 thousand. Amortization of intangible assets in 2010 increased by SEK 3,512 thousand and deferred tax income increased by SEK 924 thousand at December 31, 2010.

Information about historical cost and acquired net assets and goodwill on the acquisition date is provided below:

SEK thousands	**Carrying amount**	**Fair value adjustment**	**Fair value**
Purchase consideration			
Cash amount paid to Neonet's shareholders	13,024	–	13,024
Value of newly issued shares to Neonet's shareholders (total of 7,911,318 new Orc shares)	1,376,569	–	1,376,569
Cost of compulsory redemption of remaining Neonet shares	24,032	–	24,032
Total cost	**1,413,625**	**–**	**1,413,625**

SEK thousands	**Carrying amount**	**Fair value adjustment**	**Fair value**
Intangible assets excl. goodwill (Note 17)			
Capitalized development costs	–43,123	–	–43,123
Other intangible assets	–10,239	–	–10,239
Property, plant and equipment (Note 18)			
Equipment	–18,348	–	–18,348
Financial assets	–129,870	10,993	–118,877
Deferred tax assets	–12,405	–	–12,405
Trade receivables	–4,708	–	–4,708
Current financial assets attributable to Transaction Services	–73,251	–	–73,251
Prepaid tax	–3,598	–	–3,598
Derivative instruments	–827	–	–827
Other current assets	–26,119	9,970	–16,149
Cash and cash equivalents	–151,756	–	–151,756
Deferred tax liability	7,459	–2,623	4,836
Current financial liabilities attributable to Transaction Services	102,389	–	102,389
Trade payables	28,583	–	28,583
Other current liabilities	133,631	–	133,631
Value of acquired net assets	**–202,182**	**18,340**	**–183,842**
Identified intangible assets	**–**	**–497,000**	**–497,000**
Deferred tax liability on identified intangible assets	**–**	**130,712**	**130,712**
Residual item/Goodwill	**1,211,443**	**–347,948**	**863,495**

Goodwill is attributable among other things to expected future synergies arising from the merger and intangible assets that do not meet the criteria for separate recognition.

The cost of acquisition amounted to SEK 26,855 thousand and is recognized in "Other external expenses".

At December 31, 2010, Neonet had contributed revenue of SEK 284.0m and income of SEK –42.8m since the acquisition date. If the acquisition had been carried out at January 1, 2010, Neonet would have contributed revenue of SEK 390.0m and income of SEK –62.0m.

Note 5. Segment reporting

The principles for Orc's segment reporting are described in Note 2.

REVENUE, OPERATING INCOME AND NET FINANCIAL ITEMS

	Group						Parent Company	
	Revenue		Operating income		Net financial items		Revenue	
SEK thousands	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Orc	623,721	665,802	160,003	140,905	–	–	623,721	628,434
Neonet	228,015	243,260	–47,877	–41,567	–	–	–	–
CameronTec	71,344	67,612	25,592	19,823	–	–	–	–
Group-wide	–	–	–211,600	–47,657	2,736	–528	445	–
Total	**923,080**	**976,674**	**–73,882**	**71,504**	**2,736**	**–528**	**624,166**	**628,434**

REVENUE BY GEOGRAPHICAL MARKET

	Group	
SEK thousands	**2011**	**2010**
Sweden	127,413	110,712
EMEA (excl. Sweden)	477,436	507,989
Americas	162,947	196,413
APAC	155,283	161,560
Total	**923,080**	**976,674**

NON-CURRENT ASSETS BY GEOGRAPHICAL MARKET *

	Group	
SEK thousands	**2011**	**2010**
Sweden	1,519,307	1,687,883
EMEA (excl. Sweden)	7,802	6,150
Americas	7,687	8,756
APAC	864	892
Total	**1,535,660**	**1,703,681**

* Non-current assets excluding deferred tax assets and financial assets.

Note 6. Development costs

	Group	
SEK thousands	**2011**	**2010**
The year's development costs	112,076	128,866
The year's amortization of capitalized development	24,905	17,057
Total development costs	**136,981**	**145,923**

Of total development costs for 2011 of SEK 136,981 thousand (145,923), SEK 71,039 thousand (50,506) has been capitalized. See Note 17 Intangible assets.

Note 7. Related party transactions

Information about fees and other remuneration to the Board Chairman, other Board members and senior executives is provided in Note 8 and Note 23. All related party transactions are carried out on market-based terms.

Purchases and sales between the Parent Company and group companies

Of the Parent Company, Orc Group AB's, purchases for the year, SEK 261,659 thousand (260,183) refers to purchases from other group companies. Of the Parent Company's sales for the year, SEK 1,857 thousand (541) refers to sales to other group companies. See also Note 21 Shares in group companies.

Note 8. Employees

AVERAGE NUMBER OF EMPLOYEES

	2011		2010	
	Total	Of whom, women	Total	Of whom, women
Sweden	208	58	172	51
Of which, Parent Company	133	31	106	27
Australia	10	4	15	3
Hong Kong	24	5	21	5
Italy	12	3	12	3
Russia	15	2	15	2
UK	34	9	34	9
Germany	4	2	4	2
USA	64	9	61	9
Other countries	9	2	8	0
Total average number of employees	**380**	**93**	**342**	**84**

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
Board and Executive Management	20,090*	34,555*	14,607	17,768
Other employees	252,705	260,968	73,689	70,888
Total salaries and other remuneration	**272,795**	**295,523**	**88,296**	**88,656**
Social security expenses	57,006	60,945	30,389	29,928
Pension costs	21,382 **	17,730 **	12,380	10,168
Total social security expenses	**78,388**	**78,675**	**42,769**	**40,096**
Total salaries, other remuneration and social security expenses	**351,183**	**374,198**	**131,065**	**128,752**

* Of which, variable salaries and sales commissions of SEK 989 thousand (7,345).

** Of which, SEK 2,924 thousand (3,000) refers to the Executive Management.

SALARIES BY COUNTRY

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
Sweden	123,705	137,951	88,296	88,656
Australia	12,359	14,472	–	–
Hong Kong	21,507	23,125	–	–
Italy	9,264	11,641	–	–
Russia	5,636	6,059	–	–
UK	32,238	32,508	–	–
Germany	3,602	3,417	–	–
USA	55,476	57,426	–	–
Other countries	9,008	8,924	–	–
Total	**272,795**	**295,523**	**88,296**	**88,656**

Continued Note 8

Decision-making and preparatory process

The Board has a Remuneration Committee made up of representatives from the Board and a reporting representative from the company. The Remuneration Committee prepares and discusses proposals regarding incentive programs, benefits and salaries, including sales commissions and variable salaries for the company's CEO, other members of the Executive Management and other employees in general. Decisions are made by the Board in all cases.

Proposals regarding remuneration to the Board are put forward by the Nominating Committee and are resolved on by the Annual General Meeting.

Sales commissions, variable salary and bonuses

The members of Orc's Executive Management that have sales responsibility, as well as the employees in the sales organization, receive compensation in the form of sales commissions based on the attainment of predetermined individual sales targets. See also under heading "Sales commissions" in Note 2.

The other members of Orc's Executive Management, as well as certain managers and specialists, are covered by a variable salary program based on the attainment of predetermined financial targets for the Group that are established by the Board.

Other employees are covered by a program for payment of bonuses on a discretionary basis. Bonuses are payable on the Group's attainment of predetermined financial targets.

For 2011 a total of SEK 33,104 thousand (54,332) was expensed for sales commissions, variable salaries and bonuses.

Defined contribution pension plans

The Group has only pension plans of the defined contribution type. Orc's employees in Sweden, aside from Thomas Bill and Markus Gerdien, who have premium-based pension benefits, are covered by a traditional pension plan. The pension cost refers to the cost that has affected income for the year.

Health insurance

As of January 1, 2011, Orc's employees in Sweden have health insurance.

Specification of board fees

The 2011 AGM decided that fees for the period until the 2012 AGM would be paid in an amount of SEK 450 thousand (450) to the Board Chairman and SEK 205 thousand (190) to each of the other Board members. In addition, the Nominating Committee proposes that SEK 150 thousand (150) be reserved by Board Chairman to distribute for committee work at the discretion of the Chairman. If the Board Chairman is part of the committee, he or she should be entitled to the same compensation as other members of the committee in question. Board fees for 2011, including social security expenses, were expensed in an amount of 2,049 thousand (1,889), of which SEK 567 thousand (548) refers to the Chairman and SEK 1,482 thousand (1,341) to the other members of the Board.

In addition, total board fees of SEK 380 thousand (380) in Neonet Securities AB will be paid to Patrik Enblad and Staffan Persson for their work as board members in the company.

At December 31, 2011, Orc's Board of Directors consisted of 4 men (5) and 2 women (1). The Extraordinary General Meeting on March 12, 2012, elected a new board due to changes in the company's ownership at the beginning of 2012. See also Note 33.

Specification of salaries and other remuneration for the Executive Management

At December 31, 2011, Orc's Executive Management consisted of the CEO and 6 other members (13).

2011 SEK thousands	Salary	Variable salary and sales commissions	Pension
CEO Thomas Bill	4,181	–	615
Other members	12,323	989	2,309
Total	**16,504**	**989**	**2,924**

At December 31, 2011, Orc's Executive Management consisted of 88% men (93) and 12% women (7).

2010 SEK thousands	Salary	Variable salary and sales commissions**	Pension*
CEO Thomas Bill	4,542	863	615
Other members	22,668	6,482	2,385
Total	**27,210**	**7,345**	**3,000**

* Of which, SEK 130 thousand refers to gross salary deductions for other members of the Executive Management.

** Of which, SEK 4,169 thousand refers to a reserved amount.

HEALTH INSURANCE All members of the Executive Management who are employed in Sweden* receive health insurance as a supplement to public healthcare. This insurance provides the members of the Executive Management with access to health care services and in certain cases specialists as needed. Executive Management member Matteo Carcano has received insurance coverage that provides compensation for certain healthcare costs.

* Thomas Bill, Tomas Ljunglöf, Markus Gerdien, Christine Blinke, Anders Henriksson, Joacim Wiklander and Fredrik Lindqvist.

OPTION HOLDINGS No new option programs were started in 2011 or 2010. See Note 23.

TERMINATION BENEFITS Among the other members of the Executive Management, there are agreements for termination benefits for Markus Gerdien, Tomas Ljunglöf, Peter Bergson, Matteo Carcano, Anders Henriksson, Fredrik Lindqvist and Joacim Wiklander. In the event of termination by the company, these individuals, with the exception of Matteo Carcano, are entitled to deductible termination benefits equal to six fixed monthly salaries. Matteo Carcano is entitled to deductible termination benefits equal to 12 fixed monthly salaries.

EMPLOYMENT TERMS FOR THE CEO THOMAS BILL Thomas Bill is employed until further notice up to a maximum age of 67 years.

Fixed monthly salary

The CEO receives salary in an amount of SEK 342 thousand per month.

Pension

The CEO has the right to fully vested premium-based pension benefits equal to 15% of fixed salary. The pension provision will be paid as long as employment continues, up to a maximum age of 67 years.

Variable salary

The CEO has the possibility of receiving a variable salary on the same terms as the members of the Executive Management that are not covered by sales commissions. The amount payable is based on the attainment of predetermined financial targets for the Group. Total variable salary for 2011 may not exceed 56% of fixed annual salary.

Other benefits

The CEO has access to a parking space close to the Stockholm office, which is paid for by the company. For this, the CEO is subject to employment benefit taxation in accordance with the applicable tax rules.

Continued Note 8

Notice period, severance pay and termination benefits

In the event of termination by the company, the CEO has a notice period of 12 months. In the event of resignation by the CEO, a notice period of six months applies. During the notice period, the CEO receives an amount of compensation corresponding to fixed salary and other benefits.

If termination has been initiated by the company, the CEO receives termination benefits equal to six fixed monthly salaries.

Non-competition clause

The CEO has a non-competition clause for a period of 12 months. During this time, the CEO will receive monthly compensation from the company. The compensation may not exceed 100% of fixed monthly salary at the time employment is terminated. Deductions will be made for any salary received from a new employer and for termination benefits and paid pension benefits. The clause includes a penalty.

Sick leave in the Parent Company

The percentage of sick leave is reported according to the principle: total sick leave divided by total regular working hours. Regular working hours consist of planned and scheduled working hours including vacation and leaves of absence.

SICK LEAVE AS A % OF TOTAL REGULAR WORKING HOURS BY CATEGORY

	2011	2010
Men	1.2	1.2
Women	2.2	2.4
Employees –29 years of age	0.9	1.8
Employees 30–49 years of age	1.5	1.4
Employees 50– years of age	1.6	n/a*
Total sick leave	**1.4**	**1.5**

* The number of employees in the category is fewer than ten and is therefore not reported.

Sick leave for more than 60 days as a percentage of total sick leave: 4.0% (30.1).

Note 9. Amortization, depreciation and impairment losses

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010***
Amortization of capitalized development costs	–24,905	–15,292	–	–
Amortization of other intangible assets	–56,577	–49,422	–3,094	–
Depreciation of property, plant and equipment	–21,615	–19,419	–10,895	–6,702
Capital gains/losses on the sale of property, plant and equipment	–1	–372	–3	–142
Impairment losses**	–165,525	–384	–	–
Impairment losses on shares in subsidiaries	–	–	–168,377	–
Total amortization, depreciation and impairment losses	**–268,622**	**–84,889**	**–182,368**	**–6,844**

* Due to a changed accounting standard for capitalized development costs in the Parent Company, these costs have been retrospectively expensed and the corresponding amortization reversed. The figures for 2010 have been restated.

** The impairment losses refer to: Goodwill of SEK 133m, other intangible assets of SEK 32m and property, plant and equipment of SEK 0.5m (0.4).

Note 10. Other external expenses

Other external expenses mainly consist of travel, marketing, legal and consulting expenses. Other external expenses also include an income effect related to derivative assets and liabilities (see Note 11) and auditing fees.

Auditing fees

The following compensation has been paid to the Parent Company's auditors and auditing firms for auditing assignments, auditing services outside the scope of the audit, tax advice and other services. Other auditors refer to appointed auditors, other than in the Parent Company, in other group companies. Fees for 2010 include costs for auditing services in connection with the acquisition of Neonet.

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
To the Parent Company's auditors				
Auditing services	1,651	1,132	799	490
Auditing services outside the scope of the audit	1,087	1,254	1,048	1,042
Tax advice	88	4	65	4
Other services	25	–	25	–
To other auditors				
Auditing services	1,332	1,152	–	–
Other services	2	–	2	–
Total	**4,185**	**3,542**	**1,939**	**1,536**

Note 11. Derivative instruments

Value changes attributable to derivative instruments are recognized net in foreign exchange differences. The net income effect for the period January–December 2011 was SEK –0.3m (–0.6).

At December 31, 2011, the Group had no derivative instruments. Derivative instruments at December 31, 2010, amounted to SEK 0.5m and are reported under other current assets.

The Group had no embedded derivatives during 2011 or 2010.

Note 12. Foreign exchange differences

EXCHANGE RATES (AGAINST SEK)

	Average rate January–December		Closing day rate December 31	
	2011	**2010**	**2011**	**2010**
USD	6.50	7.20	6.92	6.80
EUR	9.03	9.54	8.94	9.00
GBP	10.41	11.13	10.68	10.55
DKK	1.21	1.28	1.20	1.21
AUD	6.70	6.61	7.03	6.92
CHF	7.35	6.91	7.36	7.24
CAD	6.57	6.99	6.78	6.81
HKD	0.83	0.93	0.89	0.88
JPY	0.082	0.082	0.089	0.083

FOREIGN EXCHANGE DIFFERENCES IN OPERATING INCOME

	Group	
SEK thousands	**2011**	**2010**
Attributable to operating activities	–912	–14,644
Total foreign exchange differences in operating income	**–912**	**–14,644**
Total foreign exchange differences affecting income after financial items	**–912**	**–14,644**

FOREIGN EXCHANGE DIFFERENCES IN EQUITY

	Group	
SEK thousands	2011	2010
Change related to translation differences in foreign subsidiaries	556	–6,515
Total change in foreign exchange differences in equity	**556**	**–6,515**

Foreign exchange differences in equity correspond to the items in Orc's other comprehensive income.

Orc reports no tax effects of foreign exchange differences.

Note 13. Financial items

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Financial income				
Dividends from subsidiaries	n/a	–	12,337	–
Interest income from subsidiaries	n/a	–	2,536	1,285
Interest income from others	9,646	1,995	1,496	1,054
Total financial income	**9,646**	**1,995**	**16,369**	**2,339**
Financial expenses				
Interest expenses to subsidiaries	n/a	–	–1,057	–
Interest expenses, etc., to others	–6,910	–2,523	–51,778	–115
Total financial expenses	**–6,910**	**–2,523**	**–52,835**	**–115**
Net financial items	**2,736**	**–528**	**–36,466**	**2,224**

Note 14. Appropriations

	Parent Company	
SEK thousands	2011	2010
Provision to tax allocation reserve	–	–38,372
Reversal of tax allocation reserve	32,679	8,084
Excess depreciation	–4,715	–900
Total appropriations	**27,964**	**–31,188**

Note 15. Income tax expense

REPORTED TAX EXPENSE

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Current tax attributable to:				
– income for the year	–8,677	–45,231	–15,991	–30,096
– prior years	–285	901	26	863
– previously unutilized loss carryforwards	27	468	–	–
– paid foreign taxes	–178	–	–459	–
– imputed income on tax allocation reserves	–869	–950	–848	–774
Total current tax	**–9,982**	**–44,812**	**–17,272**	**–30,007**
Deferred tax attributable to:				
– intangible assets	–6,220	11,993	–	–
– temporary differences	–5,495	–1,071	–607	5,725
– changes in untaxed reserves	5,061	–763	–	–
– capitalized loss carryforwards	–15,742	5,438	–	–
Total deferred tax	**– 22,396**	**15,597**	**–607**	**5,725**
Total reported tax expense	**–32,378**	**–29,215**	**–17,879**	**–24,282**

RECONCILIATION OF CURRENT TAX RATE

	Group		Parent Company	
%	2011	2010	2011	2010
Swedish tax rate, %	**26.3**	**26.3**	**26.3**	**26.3**
Effect on tax rate of:				
Difference in tax rates	0.2	1.0	–	–
Non-deductible expenses	–51.2	13.4*	–48.2	0.4
Non-taxable income	0.1	–0.1	3.5	0.0
Temporary differences	0.1	0.0	0.6	0.3
Paid foreign tax	–0.2	0.4	–0.5	–
Tax attributable to prior years	–0.4	–1.4	0.0	–0.6
Imputed income tax on tax allocation reserves	–1.2	1.3	–0.9	0.5
Loss carryforwards	–	–0.8	–	–
Non-capitalizable loss carryforwards	–19.2	1.0	–	–
Actual tax rate	**–45.5**	**41.1**	**–19.2**	**26.9**

*Refers to acquisition costs

DEFERRED TAX ASSETS

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Deferred tax attributable to excess depreciation	–	–	–	–
Deferred tax attributable to accrued expenses and deferred income	642	594	34	47
Deferred tax attributable to loss carryforwards	–	9,224	–	–
Deferred tax assets	**642**	**9,818**	**34**	**47**

PREPAID TAX

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Prepaid tax attributable to income for the year	31,991	6,233	20,796	–
Prepaid tax	**31,991**	**6,233**	**20,796**	**–**

DEFERRED TAX LIABILITIES

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Deferred tax liabilities on untaxed reserves in Swedish companies	38,456	44,688	–	–
Deferred tax attributable to excess depreciation	2,088	916	1,510	916
Deferred tax attributable to intangible assets	133,104	125,959	–	–
Deferred tax attributable to loss carryforwards	–	–6,517	–	–
Deferred tax attributable to temporary differences	5,009	391	–	–
Deferred tax liabilities	**178,657**	**165,437**	**1,510**	**916**

TAX LIABILITIES

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Tax liabilities attributable to income for the year	5,053	10,224		16,794
Tax liabilities	**5,053**	**10,224**		**16,794**

For loss carryforwards with an unlimited life, a deferred tax asset is recognized if the company expects to be able to utilize the loss carryforward.

Note 16. Leases

Property leases of an operating nature are summarized as follows:

PREMISES AND RELATED EQUIPMENT

SEK thousands	Group	Parent Company
Future annual payment payments:		
2012	18,471	7,566
2013–2016	32,293	–
2017 or later	26,566	–
Total	**77,330**	**7,566**

The difference between total future lease payments on the balance sheet date and the present value of these amounts to SEK 7.6m (8.6), discounted by a five-year risk-free interest rate in SEK.

The lease contracts for premises include customary indexation clauses.

Expensed lease payments in 2011 amounted to SEK 33,000 thousand (37,211) in the Group and SEK 10,984 thousand (9,856) in the Parent Company.

Orc has no finance lease commitments.

Note 17. Intangible assets

2011	Group			Parent Company
SEK thousands	Capitalized development costs	Goodwill	Other intangible assets	Intangible assets
Opening cost	142,791	1,031,034	599,088	–
The year's investments	71,039	–	261	28,073
Business combinations	–	–	–	–
Sales and disposals	–	–	–3,708	–
Closing accumulated cost	**213,830**	**1,031,034**	**595,641**	**28,073**
Opening amortization and impairment losses	–29,742	–	–83,880	–
The year's amortization	–24,905	–	–56,577	–3,094
The year's impairment losses	–	–133,000	–32,000	–
Sales and disposals	–	–	3,708	–
Closing accumulated amortization and impairment losses	**–54,647**	**–133,000**	**–168,749**	**–3,094**
Closing carrying amount	**159,183**	**898,034**	**426,892**	**24,979**

2010	Group			Parent Company
SEK thousands	Capitalized development costs	Goodwill	Other intangible assets	Intangible assets
Opening cost	49,162	167,539	90,685	–
The year's investments	50,506	–	1,219	–
Business combinations	43,123	863,495	507,239	–
Translation differences	–	–	–55	–
Closing accumulated cost	**142,791**	**1,031,034**	**599,088**	**–**
Opening amortization and impairment losses	–14,450	–	–34,508	–
The year's amortization	–15,292	–	–49,422	–
Translation differences	–	–	50	–
Closing accumulated amortization and impairment losses	**–29,742**	**–**	**–83,880**	**–**
Closing carrying amount	**113,049**	**1,031,034**	**515,208**	**–**

Capitalized development costs refer to costs for the development of new and existing products that are expected to generate future financial benefits. Of the total closing carrying amount, SEK 141.4m (106.4) is attributable to the Orc segment and SEK 17.7m (6.6) to the CameronTec segment.

Goodwill is attributable to the acquisitions of Neonet and Cameron Systems. Of the total closing carrying amount, SEK 730.8m (730.8) is attributable to the Orc segment, SEK 167.2m (167.2) to the CameronTec segment and SEK 0m (133) to the Neonet segment.

The closing carrying amount for other intangible assets refers mainly to customer relationships including customer contracts of SEK 238.1m (291.0), technology of SEK 131.5m (150.9), trade-marks/brands of SEK 38.4m (50.2) and exchange memberships of SEK 12.3m (16.0) identified in connection with the acquisitions of Neonet and Cameron Systems. Assets with a definite useful life are amortized on a straight-line basis over a period of 8-15 years.

Aside from goodwill, assets with an indefinite useful life consist of trademarks/brands and exchange memberships. As long as operations continue and costs are regularly incurred to maintain the value of trademarks/brands and exchange memberships, their useful lives are considered indefinite.

Other intangible assets by segment

The closing carrying amount for other intangible assets is allocated between the Group's segments as follows:

SEK thousands	Orc	CameronTec	Neonet	Total
Customer relationships	172,389	9,923	55,749	238,061
Technology	99,219	32,261	–	131,480
Trademarks/brands	–	–	38,448	38,448
Exchange memberships	–	–	12,303	12,303
Other	–	–	6,600	6,600
Total	**271,608**	**42,184**	**113,100**	**426,892**

Continued Note 17

Impairment testing of intangible assets attributable to acquisitions

In the fourth quarter of 2011, in connection with preparation of the annual accounts, Orc Group has carried out an impairment test on the value of goodwill and other intangible assets attributable to acquisitions. This value has been allocated to the Group's cash-generating units, which are the same as the identified segments Orc, CameronTec and Neonet. The recoverable amount for each segment has been determined through a calculation of its value in use. The calculations are based on estimated future cash flows before tax using the budgets and business plans that have been approved by the management, normally covering a five-year period. Cash flows beyond the five-year period are extrapolated with the help of an assessed growth rate according to the assumptions below. Normally, the growth rate does not exceed the long-term growth rate for the market where the affected segment operates. Estimated value in use has been compared to the value of goodwill and other intangible assets attributable to acquisitions. If value in use is lower than the carrying amount, impairment is indicated.

Key assumptions used for calculation of value in use in 2011:

	Orc	CameronTec	Neonet
Gross margin*	95.0%	95.0%	36.3 – 29.5%
Growth rate**	2.0%	2.0%	2.0%
Discount rate***	13.1%	15.8%	35.8%

* Budgeted gross margin.

** Weighted average growth rate used to extrapolate cash flows beyond the budget period.

*** Discount rate before tax used to calculate the present value of estimated future cash flows.

The assumptions for both gross margin and the growth rate are based on historical experience. The discount rate for Neonet includes a substantial risk premium for uncertainty regarding the financial outcome of the investments being made to reach profitability.

Orc

Value in use for Orc exceeds the carrying amount of goodwill and other intangible assets attributable to the segment, for which reason there is no indication of impairment. A decrease in the gross margin by more than 7.4 percentage points, a decrease in the growth rate by 3.5 percentage points or an increase in the discount rate to 17.9% would eliminate the remaining margin.

CameronTec

Value in use for CameronTec exceeds the carrying amount of goodwill and other intangible assets attributable to the segment, for which reason there is no indication of impairment. A decrease in the gross margin by more than 11.0 percentage points, a decrease in the growth rate by 7.5 percentage points or an increase in the discount rate to 22.1% would eliminate the remaining margin.

Neonet

Development in the transaction services segment, attributable to the acquisition of the Neonet group in the spring of 2010, has deviated significantly from Orc Group's acquisition analysis. The losses in Neonet's operations and uncertainty about the future financial outcome of the investments being made to reach profitability have resulted in an estimated value in use that is lower than the carrying amount. Orc Group has therefore decided to recognize an impairment loss on Neonet of SEK 165.0m. An impairment loss of SEK 133.0m will be recognized on goodwill and SEK 32.0m on other intangible assets. After these impairment losses, the assessment is that the remaining carrying amount of SEK 78.5m, a net value of intangible assets after deduction of deferred tax liabilities, is on par with the estimated value in use for Neonet.

The previous year's impairment testing of intangible assets attributable to acquisitions

In 2010, Orc Group's cash-generating units were identified as the legal sub-groups Neonet and Cameron.

Value in use for Neonet was calculated through an update, at the end of the year, of the value that provided the basis for determining the purchase price for the acquisition on April 7, 2010. This valuation was based on the management's assumptions about future cash flows in budgets and forecasts for these operations over the next five years. The future cash flows were discounted to present value with a discount rate of 14.7-20.4% before tax. The higher discount rate was used for future cash flows in brokerage operations as a risk premium for the uncertainty of future forecasts.

Value in use for Cameron was based on the management's assumptions about future cash flows in budgets and forecasts for these operations over the next five years. The growth rate after these five years was assumed to be 5%. The future cash flows were discounted to present value with a discount rate of 12.3% before tax.

The Parent Company's intangible assets refer to customer contracts acquired in the Group.

Note 18. Property, plant and equipment

EQUIPMENT

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
Opening cost	158,233	94,210	51,077	58,101
The year's investments	29,062	20,167	23,227	10,907
Business combinations	–	85,557	–	–
The year's disposals	–24,734	–38,803	–5,460	–17,931
Translation differences	276	–2,898	–	–
Closing accumulated cost	**162,837**	**158,233**	**68,844**	**51,077**

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
Opening accumulated depreciation and impairment losses	–113,841	–66,800	–32,366	–43,453
Business combinations	–	–67,209	–	–
The year's disposals	17,478	38,224	5,458	17,789
The year's depreciation	–21,615	–19,418	–10,895	–6,702
The year's impairment losses	–525	–384	–	–
Translation differences	–86	1,746	–	–
Closing accumulated depreciation and impairment losses	**–111,336**	**–113,841**	**–37,803**	**– 32,366**
Closing carrying amount	**51,501**	**44,392**	**31,041**	**18,711**

Note 19. Financial assets and liabilities by category

2011

ASSETS IN THE BALANCE SHEET

SEK thousands	Loans and receivables	Assets at fair value through profit or loss	Total
Pledgeable treasury bills	–	179,132	179,132
Bonds and other fixed income securities	–	–	–
Other financial assets	–	–	–
Current financial assets attributable to Transaction Services	25,807	–	25,807
Trade receivables	120,531	–	120,531
Other current assets*	16,217	1,301	17,518
Cash and cash equivalents	152,210	–	152,210
Total financial assets	**314,765**	**180,433**	**495,198**

* Other current assets in the consolidated balance sheet amounting to SEK 34,330 thousand (39,312) include non-financial instruments for a total of SEK 16,812 thousand (20,677).

LIABILITIES IN THE BALANCE SHEET

SEK thousands	Financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
Other non-current liabilities	1,416	–	1,416
Trade payables	22,074	–	22,074
Liabilities to credit institutions	116,200	–	116,200
Current financial liabilities attributable to Transaction Services	23,352	–	23,352
Other current liabilities*	94,864	–	94,864
Total financial liabilities	**257,906**	**–**	**257,906**

* Other current liabilities in the consolidated balance sheet amounting to SEK 388,862 thousand (353,884) include non-financial instruments for a total of SEK 293,998 thousand (206,386).

2010

ASSETS IN THE BALANCE SHEET

SEK thousands	Loans and receivables	Assets at fair value through profit or loss	Total
Pledgeable treasury bills	–	94,748	94,748
Bonds and other fixed income securities	–	72,340	72,340
Other financial assets	1,878	–	1,878
Current financial assets attributable to Transaction Services	16,973	–	16,973
Trade	129,878	–	129,878
Other current assets*	18,166	469	18,635
Cash and cash equivalents	226,315	–	226,315
Total financial assets	**393,210**	**167,557**	**560,767**

* Other current assets in the consolidated balance sheet amounting to SEK 39,312 thousand (14,480) include non-financial instruments for a total of SEK 20,677 thousand (11,191).

LIABILITIES IN THE BALANCE SHEET

SEK thousands	Financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
Other non-current liabilities	976	–	976
Trade payables	21,139	–	21,139
Liabilities to credit institutions	16,320	–	16,320
Current financial liabilities attributable to Transaction Services	34,419	–	34,419
Other current liabilities*	147,498	–	147,498
Total financial liabilities	**220,352**	**–**	**220,352**

* Other current liabilities in the consolidated balance sheet amounting to SEK 353,884 thousand (219,805) include non-financial instruments for a total of SEK 206,386 thousand (179,983).

Orc applies the following hierarchy for valuation of financial instruments at fair value.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes pledgeable treasury bills and bonds and other fixed income securities. Value changes are recognized in net financial items.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices). This level includes derivative instruments that are recognized in other current assets. Value changes are recognized as foreign exchange differences.

Level 3 – Inputs for assets and liabilities that are not based on observable market data. The Group had no assets at this level at December 31, 2011.

Note 20. Financial assets

FINANCIAL ASSETS

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
Pledgeable treasury bills	179,132	167,088	–	–
Rent deposits paid	1,408	1,538	30	30
Other non-current receivables	415	340	–	–
Total financial assets	**180,955**	**168,966**	**30**	**30**

Note 21. Shares in group companies

Group company	Corporate ID number	Domicile	No. of shares	Holding, %	Book value
Cameron Fix IP Pty Ltd	117 780 042	Victoria	100,001	100	577
Cameron Systems (Vic) Pty Ltd	097 437 968	Melbourne	5,203,925	100	7,300
CameronTec AB	556790-9345	Stockholm	1,000	100	236,747
Dancharia Research & Trade East AB	556472-1693	Stockholm	1,000	100	153
Neonet AB	556530-1263	Stockholm	65,066,114	100	1,305,188
Orc Education AB	556611-4087	Stockholm	1,000	100	105
Orc ExNet Transaction Services AB	556613-3251	Stockholm	4,000	100	2,252
Orc Netherlands B.V.	34294350	Amsterdam	18,000	100	239
Orc Software East AB	556472-1685	Stockholm	1,000	100	100
Orc Germany GmbH	hrb 502 15	Frankfurt	–	100	211
Orc Software GmbH	FN 195812i	Vienna	–	100	146
Orc Software GmbH	Ch-020.4.024.095-5	Zurich	–	95	128
Orc Software HK Ltd	773 037	Hong Kong	9,900	99	12
Orc USA Inc.	52-231 99 50	Delaware	100,000	100	1,028
Orc Canada Inc.	BN 860708734RC0001	Montreal	100	100	0
Orc Software K.K.	0104-01-082806	Tokyo	200	100	831
Orc Software Ltd.	390 61 49	London	10,000	100	133
Orc Australia Pty Ltd	091 454 045	Sydney	20,000	100	106
Orc Italy S.r.l.	130 89 980 158	Milan	9,500	95	85
Orc Software AB	556510-5367	Stockholm	1,190	100	1,269
Promyzer AB	556632-7580	Stockholm	114,800	100	1,950
Total, SEK thousands					**1,558,559**

In Orc Software s.r.l., the Parent Company holds 95% and the Chairman of Orc Software S.r.l. holds 5% of the shares. In Orc Software HK Ltd. and Orc Software GmbH (Zurich), the Parent Company holds 99% and 95%, respectively, and two other companies in the Group hold the remaining shares. Share ownership in Orc Software S.r.l., Orc Software HK Ltd. and Orc Software GmbH (Zurich) is motivated by local rules. Because Orc controls the remaining shares in these companies, they are consolidated in full in the consolidated financial statements. Other subsidiaries are wholly owned by the Parent Company.

Orc had no associated companies at December 31, 2011.

	Parent Company	
SEK thousands	**2011**	**2010**
Opening balance	1,729,028	288,548
Shareholder contributions	30,000	–
Impairment losses on shares in subsidiaries	–168,376	
Dividends from subsidiaries	–31,800	–
Compulsory redemption of shares in subsidiaries	–291	–
Acquisition of subsidiaries	–	1,440,480
Closing balance	**1,558,559**	**1,729,028**

Note 22. Trade receivables

Because the Group's trade receivables are subject to customary payment conditions, the carrying amount recognized in the balance sheet corresponds to fair value.

The credit period for trade payables is 30 days.

AGE ANALYSIS

	Group	
SEK thousands	**2011**	**2010**
Not yet due	52,353	46,562
1–30 days	48,097	53,270
31–180 days	18,610	32,215
> 180 days	18,833	19,366
Total	**137,893**	**151,413**

PROVISIONS FOR DOUBTFUL DEBTS

	Group	
SEK thousands	**2011**	**2010**
Provision at January 1	21,535	27,955
Provisions for doubtful debts	5,094	4,286
Confirmed losses	–9,267	–10,706
Provision at December 31	**17,362**	**21,535**

TOTAL TRADE RECEIVABLES

	Group	
SEK thousands	**2011**	**2010**
Outstanding trade receivables	137,893	151,413
Provisions for doubtful debts	–17,362	–21,535
Total trade receivables	**120,531**	**129,878**

CONCENTRATION OF CREDIT RISK – THE 10 LARGEST CLAIMS

	2011 No. of customers	**2011 Share of total trade receivables at December 31**	**2010 No. of customers**	**2010 Share of total trade receivables at December 31**
Exposure < SEK 2m	1	1%	–	0%
Exposure SEK 2–4m	5	10%	6	19%
Exposure > SEK 4m	4	16%	1	3%
Total	**10**	**27%**	**7**	**22%**

Of total trade receivables at December 31, 2011, 38% referred to receivables in US dollars, 55% in euros and 3% in Swedish kronor.

Credit risks

Orc's customers, which include investment banks, banks, brokerage firms and trading firms, generally represent a financially solid segment with a subsequent lower risk for bad debt losses than companies in general. However, the remaining uncertainty in the international financial markets and repercussions of the global economic recession are creating a higher level of credit risk than normal. Efforts to collect trade receivables and shorten payment periods will therefore continue to be a high priority. Because Orc works actively to inform its customers of the importance of paying on time and the majority of customers pay in advance on a quarterly or even longer basis, the Group's bad debt losses have been relatively minor at SEK 9.3m (10.7), which is equal to 1.0% (1.1) of operating revenue. Provisions for doubtful debts decreased during the year and amounted to SEK 17.4m (21.5) at December 31, 2011.

Note 23. Share-based payment

Orc has issued option programs to its employees. In 2011 one program, program 3, was active. All of Orc's option programs have covered all employees in the Orc Group and each program has been divided into two sub-programs, one for employees in Sweden and one for employees outside Sweden.

Employees in Sweden

Employees in Sweden have been given the opportunity to acquire options in Orc Group AB (publ). The options were acquired at fair value based on a market appraisal performed by independent valuation companies. The options have a maturity of three years. Under program 3, 45,500 options were acquired in 2009 at a price of SEK 9.90 each. Each option entitles the holder to subscribe for one share in Orc Group AB during the period from registration to December 31, 2011, at a subscription price of SEK 136.

Employees outside Sweden

Options have been granted free of charge to employees outside Sweden. The options are not transferable and are subject to continued employment at the end of the vesting period. The vesting period for the active program ends on December 31, 2010. The options have a maturity of three years. Under program 3, each option entitles the holder to subscribe for one share in Orc Group AB during the period from January 1 to December 31, 2011, at a subscription price of SEK 136. The options granted to employees outside Sweden have given rise to personnel costs of SEK 376.4 thousand (-22.8) in 2011.

Outstanding options at the end of the year

The number of outstanding options in program 3 at the end of the year was 133,900, divided between 45,500 options attributable to employees in Sweden and 88,400 options attributable to employees outside Sweden. No options were exercised during the year, and all options expired at the end of the subscription period on December 31, 2011.

Note 24. Other current assets

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Receivables from liquidity banks	491	7,303	–	–
Funds deposited with clearing organizations	1,385	1,568	–	–
VAT receivable	4,936	7,505	2,773	7,100
Receivables from suppliers	307	2,020	–	–
Accrued interest income	1,301	469	–	383
Other accrued income	925	1,001	261	374
Prepaid rents and insurance premiums	4,513	6,354	3,542	3,385
Other prepaid expenses	6,702	6,347	4,500	2,317
Other receivables	13,771	6,745	744	76
Total other current assets	**34,331**	**39,312**	**11,820**	**13,635**

Note 25. Equity

EQUITY IN THE PARENT COMPANY

No. of shares/SEK	No. of shares	Share capital	Share premium reserve
Opening balance, January 1, 2010	15,308,182	1,530,818	57,468,367
New share issue attributable to exercise of employee options	167,150	16,715	7,646,280
New share issue attributable to acquisition of Neonet	7,911,318	791,132	1,375,778,200
Closing balance, December 31, 2010	23,386,650	2,338,665	1,440,892,847
New share issue attributable to exercise of employee options	118,625	11,862	15,053,513
Closing balance, December 31, 2011	**23,505,275**	**2,350,527**	**1,455,946,360**

All shares have a quota value of SEK 0.10 each. Orc has outstanding options that could increase the number of shares by 0.5% (0.9).

STATUTORY RESERVE

The statutory reserve amounts to SEK 37,437 thousand (37,437).

EARNINGS PER SHARE

SEK	2011	2010
Basic	–4.40	1.97
Diluted	–4.40	1.96

AVERAGE NUMBER OF SHARES

Thousands	2011	2010
Basic	23,502	21,248
Diluted	23,502	21,271

TREASURY SHARES

At December 31, 2011, Orc held no shares in treasury.

PROPOSED DIVIDEND

For 2010 the Board of Directors has decided to propose that the AGM approve a dividend of SEK 0 per share (7.00), or a total of SEK 0 thousand (163,707), which is equal to 0% (369) of income after tax.

Note 26. Trade payables

Because the Group's trade payables are subject to customary payment conditions, their carrying amounts in the balance sheet correspond to fair value.

Note 27. Other current liabilities

	Group		Parent Company	
SEK thousands	2011	2010	2011	2010
Advance billing	160,223	170,632	133,663	142,761
Interest-bearing loans	100,000	–	100,000	–
Accrued personnel costs	23,004	42,607	8,657	15,426
Personnel-related taxes	15,405	16,811	9,099	6,766
Liabilities to credit institutions	16,200	16,320	–	–
Client accounts	4,472	11,361	–	–
Accrued transaction costs	4,974	11,392	–	–
Data communication and stock market information	3,520	10,265	–	–
Restructuring charges	203	8,206	–	1,283
Other accrued expenses	25,851	14,073	9,997	6,555
Other current liabilities	35,008	52,217*	157	9,424
Total other current liabilities	**388,862**	**353,884**	**261,573**	**182,215**

* Other current liabilities in 2010 include SEK 24.2m attributable to anticipated costs for compulsory redemption of the remaining shares in Neonet AB.

Note 28. Bank overdraft facilities

Group

The granted overdraft facilities amount to SEK 40m (40). At December 31, 2011, SEK 0m (0) had been utilized.

Parent Company

The granted overdraft facilities amount to SEK 40m (40). At December 31, 2011, SEK 0m (0) had been utilized.

Note 29. Financial risk management and financial instruments

The Group's core operations are technology sales and transaction services. Both operating segments are exposed to risks in financial instruments such as cash and cash equivalents, short-term investments and forward exchange contracts. The Group also has other financial instruments such as trade receivables and trade payables that arise in the ordinary course of business. The main risks arising from these instruments are:

> Foreign exchange risks related to cash flows in foreign currencies
> Interest rate risks related to cash and cash equivalents and short-term investments
> Credit risks related to financing activities
> Liquidity risk

Foreign exchange risk is the risk for a change in the value of a financial instrument due to changes in exchange rates. Orc's presentation currency is SEK, but the Group has operations in countries worldwide. This exposes the Group to foreign exchange risk, since unfavorable changes in exchange rates can have a negative effect on income and capital.

Interest-rate risk is the risk for variations in the value of a financial instrument due to changes in market interest rates.

Credit risk (counterparty risk)

Credit risk is the risk that a counterparty will be unable to fulfill its obligations in a financial instrument transaction, and thereby cause a loss to the other party. Neonet's brokerage operations are also exposed to credit risk in relation to the institutions where the company holds its liquid assets and the issuers of the securities the company invests in. Counterparty risk is managed through careful selection of liquidity banks and via the company's investment policy, which regulates the amount that may be invested in bonds issued by an individual issuer and requires the issuer to have an approved rating. Neonet uses Standard & Poor's public rating to determine risk weightings.

Impairment losses are recognized on receivables when there is objective evidence that the Group will not receive the amount due according to the original terms of the contract. A provision is then made for the difference between the carrying amount of the asset and the present value of future cash flows, discounted by the original effective interest rate. The fair value of listed investments is based on quoted prices. If the market for a certain financial asset is not active, the Group determines fair value through the use of valuation techniques.

The Group may suffer financial damage if a customer is unable to complete a transaction. If such a situation arises, Orc may need to act in the market by buying or selling the security in question at a price other than that which originally applied, in order to meet its obligations to the counterparty. This pre-settlement risk is managed by performing a credit assessment and approval process for all customers before they are permitted to trade through Orc. A proprietary credit risk model is used to assess the customers' counterparty risk. The model is based on a scoring system in which a number of risk factors (financial factors combined with risks specific to the customer category) are evaluated and scored.

Liquidity risk

Liquidity risk is the risk that Orc will have difficulty fulfilling obligations that are associated with financial liabilities. Orc's business model, in which billing in the Technology segment takes place quarterly in advance, significantly reduces this risk. Orc also has bank overdraft facilities of SEK 40m that can be used as needed.

Foreign exchange risk

CASH FLOW EXPOSURE Operating revenue and expenses are also affected by movements in foreign exchange rates. These movements have a direct effect on the income and expense item itself. Operating revenue consists of approximately 35% US dollars, 40% euros, 10% Swedish kronor and 15% other currencies. Operating expenses consist of approximately 20% US dollars, 15% euros, 40% Swedish kronor and 25% other currencies.

With the current relationship between revenue and expenses, this means that a change of 1% in the value of the Swedish krona against other currencies would have an effect of 4.5% on operating income.

The majority of Orc's billing to customers in the Nordic countries takes place in Swedish kronor. Customers outside the Nordic countries are billed primarily in US dollars and euros, although billing is also done in Australian and Canadian dollars, Danish and Norwegian kronor, Japanese yen and British pounds. The Group has significant exposure in US dollars and euros, for which billing exceeds expenses, and in British pounds where expenses exceed revenue since the billing for UK customers is primarily denominated in US dollars.

The Group's exposed net inflow in 2011 amounted to approximately SEK 463m (300) and can be broken down according to the table below.

Inflows in SEK millions	**2011**	**2010**
USD	295	207
EUR	277	163
AUD	18	1
CAD	9	25
CHF	0	6
DKK	3	0
NOK	0	5
Total	**602**	**407**

Outflows in SEK millions	**2011**	**2010**
GBP	–55	–58
HKD	–33	–34
RUB	–8	–9
JPY	–8	–6
NOK	–13	–
PLN	–20	–
SGD	–2	–
Total	**–139**	**–107**

The effect of foreign exchange hedges on income at an operating level amounted to SEK –0.3m (–0.6) in 2011.

Since the second quarter of 2008, Orc's policy is not to continuously hedge operating cash flows in foreign currency. If hedges are nonetheless taken, these contracts are revalued at each balance sheet date and also have an effect when they are settled.

BALANCE SHEET EXPOSURE Assets and liabilities in foreign currency are revalued at each balance sheet date. Fair value changes arising from changes in the value of operating assets and liabilities and settlement of currency hedge contracts are reported net on a separate line in the income statement, and in 2011 led to a cost of SEK 0.9 (14.6).

Fair value changes on other balance sheet items in foreign currency, such as short-term investments, are recognized in net financial items.

OBJECTIVES, POLICIES AND ROUTINES FOR CAPITAL MANAGEMENT Orc has substantial equity and the company's objective is to maintain a sound equity and debt structure.

The Board's policy is to distribute approximately 50% of income after tax to the shareholders, on the condition that a sound capital structure is maintained.

The capital used for short-term investments is placed in Swedish commercial papers with a credit rating of "K1" according to Standard & Poor's rating scale and time deposits in banks. These investments have high creditworthiness and liquidity, and can be easily converted into cash.

For a more detailed description of risk management in Transaction Services, see the annual report for Neonet Securities AB.

Note 30. Cash flow adjusting entries

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
Pre-billed revenue	–10,409	7,512	–9,099	7,512
Impairment losses on trade receivables	5,094	4,009	–417	4,009
Capital gains/losses on the sale of property, plant and equipment	42	372	–3	–
Restructuring charges	–	8,216	–	1,283
Deferred tax	–	–17,975	–	862
Options	–	134	–	–
Foreign exchange differences, etc.	–2,073	–2,422		2
Total cash flow adjusting entries	**–7,346**	**–154**	**–9 519**	**13,668**

Note 31. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank (or equivalent institutions) and other highly liquid short-term investments that are exposed to insignificant risk for value fluctuations and can be readily converted into cash. An investment is normally classified as cash and cash equivalents only if it has an original maturity of less than three months. In certain cases Orc has had short-term investments that have maturities of more than three months but are regarded as short-term because they can be redeemed prematurely.

	Group		Parent Company	
SEK thousands	**2011**	**2010**	**2011**	**2010**
Cash and cash equivalents	152,209	226,315	87,767	91,549
Total cash and cash equivalents	**152,209**	**226,315**	**87,767**	**91,549**

The company earns customary interest on bank balances according to a variable interest rate. A change in the interest rate by one percentage point would increase or decrease, respectively, the Group's net interest income by SEK 1,732 thousand (1,533). Reported cash and cash equivalents at December 31, 2011, include client funds of SEK 9,078 thousand (14,858) and a corresponding amount is recognized in the balance sheet within "Other current liabilities".

Note 32. Pledged assets

In Transaction Services there are assets in custody and bank deposits that have been pledged on behalf of the banks that handle settlement and represent Transaction Services in dealings with clearing institutions. This pledging is not associated with restrictions in the right of disposal over the reported cash and cash equivalents. Such pledged assets amounted to SEK 185,630 thousand (224,659) at December 31, 2011.

Note 33. Events after the balance sheet date

The balance sheet and income statement will be adopted by the Annual General Meeting on April 26, 2012. In connection with this, Orc will issue a press release about the resolutions passed by the Annual General Meeting.

Cidron Delfi Intressenter's offer for Orc Group completed

On December 19, 2011, Cidron Delfi Intressenter AB made a public tender offer to the shareholders in Orc to transfer all of their shares in Orc to Cidron Delfi Intressenter in exchange for cash consideration of SEK 86 per share. On February 15, 2012, Cidron Delfi Intressenter controlled 98.8% of the shares and votes. Cidron Delfi Intressenter has initiated compulsory redemption of the remaining shares in Orc in accordance with the Swedish Companies Act (2005:551).

Incentive program for CameronTec postponed into the future

An Extraordinary General Meeting of Orc Group AB on December 16, 2011, authorized the then Board of Directors to implement a long-term incentive program for employees in the subsidiary CameronTec AB, which was also communicated in Orc's interim report for the fourth quarter. Due to acceptance of the offer from Cidron Delfi Intressenter, CameronTec has chosen to postpone the start of the incentive program.

Delisting of the Orc share

After Orc Group filed for delisting and the delisting application was approved by NASDAQ OMX Stockholm, the last day of trading in the Orc share was March 9, 2012.

New Articles of Association, Board of Directors and changed financial year

In accordance with the proposal from Cidron Delfi Intressenter AB, the Extraordinary General Meeting on March 12, 2012, resolved to approve an amendment to Orc Group AB's Articles of Association so that the company's Board of Directors shall consist of not less than three and not more than five ordinary members and an equal number of deputy members.

The EGM elected Christian Frick, Per E. Larsson and Fredrik Näslund as new members of the Board of Directors and Daniel Berglund as a deputy director. Per E. Larsson was elected as Chairman of the Board.

The EGM also resolved that the company's financial year, instead of running from January 1 to December 31, shall cover the period from May 1 to April 30.

Orc, Neonet and CameronTec to be operated as separate companies

On March 22, 2012, it was announced that the Group would separate its businesses to enable the three operating companies to better focus on their respective product and customer niches. Operations in Orc, Neonet and CameronTec will not be affected by the decision.

The Group's CEO to leave his post

Thomas Bill, CEO of Orc Group, has decided to leave his post after having completed the process of separating the three operating companies and restructuring the Group. Thomas Bill will serve as Acting CEO of Orc until a successor has been recruited.

Audit report

To the Annual General Meeting of Orc Group AB
Corporate identity number 556313-4583

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Orc Group AB for the year 2011 (the financial year from January 1, 2011, to December 31, 2011).

Responsibility of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual 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 as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2011, and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Orc Group AB for the year 2011 (the financial year from January 1, 2011, to December 31, 2011).

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, April 11, 2012

Ernst & Young AB

OLA WAHLQVIST
Authorized Public Accountant

Glossary

ACV (Annualized Contract Value)
Annualized Contract Value is defined as the 12-month value of existing customer contracts, excluding transaction-related revenue, translated at the average exchange rates in the last month of the period.

Brokerage
A brokerage firm trades on behalf of its clients, consisting of institutional and private investors.

Connectivity
A collective term for the ability to connect to, trade with and communicate with multiple markets, systems and participants simultaneously.

DMA (Direct Market Access)
Service in which a broker offers its customers electronic access to trading venues where the broker is a member.

ETF (Exchange Traded Fund)
An investment fund that is traded in the same manner as a single equity on a stock exchange. They are most often index funds, but there are exceptions. There are ETFs linked to countries and regions, industries, themes and strategies (large cap, high direct return, etc., interest rates, currencies and commodities).

FIX (Financial Information eXchange Protocol)
A messaging standard developed specifically for the real-time electronic exchange of securities transactions. FIX has been developed in collaboration between a number of market participants and is today an established industry standard for electronic trading. For more information visit: www.fixprotocol.org.

Liquidity
The ability of a financial instrument to absorb a large amount of buying or selling without substantial price movement. High liquidity is often correlated with high turnover.

Market maker
A firm that stands ready to buy and sell a particular financial instrument on a regular and continuous basis at a publicly quoted price.

Structured products
Financial products that are made up of different financial instruments and traded as a single instrument. One such example is an equity-linked note, consisting of a bond and an equity option, which together provide a specific risk exposure.

Transaction services
Brokerage offering that includes trading, clearing and settlement for electronic securities trading.

Volatility
A statistical measure of the rate at which the price of a financial instrument moves up and down. High volatility often signifies large price movements. Volatility is a variable in pricing of options and other derivatives.

Definitions

Margins
Operating margin Operating income as a percentage of revenue.
Profit margin Income for the year as a percentage of revenue, which from 2004 and onwards constitutes income for the year attributable to owners of the Parent Company.

Return
Return on capital employed Operating income plus financial income as a percentage of average capital employed.
Return on equity Income for the year excluding non-controlling interests' share in income for the year as a percentage of average equity.

Capital structure
Capital employed Total assets less non- interest-bearing liabilities, including deferred tax. Average capital employed is calculated as opening plus closing capital employed divided by two.
Capital turnover rate Revenue divided by average capital employed.
Equity Equity at year-end excluding non-controlling interests up to and including 2003. From 2004 and onwards, non-controlling interests minority interests are included in equity in accordance with IFRS. Average equity has been calculated as opening plus closing equity divided by two, excluding new share issues.
Equity/assets ratio Equity including minority interests as a percentage of total assets.
Interest-bearing net debt Interest-bearing debt less cash and cash equivalents.
Net debt/equity ratio Interest-bearing net debt divided by equity.
Operating capital Total assets less non-interest-bearing liabilities, including deferred tax, cash and bank balances, short-term investments and other interest- bearing receivables.
Working capital Non-interest-bearing operating assets excluding accrued interest income and tax receivables, less non-interest-bearing operating liabilities, excluding tax liabilities.

Cash flow and liquidity
Cash and cash equivalents Cash and bank balances and short-term investments.
Cash flow after investments Cash flow from operating activities less investments in property plant and equipment.
Cash flow before investments Cash flow from operating activities.
Self-financing ratio Cash flow before investments divided by investments.

Employees
Average number of employees Average number of full-time employees based on measurements at the beginning of the year and at the end of each quarter.
Value added per employee Operating income plus personnel costs divided by the average number of employees.

Investments
Investments in property, plant and equipment Investments in property, plant and equipment, after any disposals.

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