ORC

ANNUAL REPORT 2010

ORC IS A LEADING PROVIDER OF TECHNOLOGY AND SERVICES FOR THE GLOBAL FINANCIAL INDUSTRY. ORC DELIVERS ADVANCED TRADING AND MARKET ACCESS SOLUTIONS THAT ARE USED BY PROPRIETARY TRADING AND MARKET MAKING FIRMS, INVESTMENT BANKS, HEDGE FUNDS AND BROKERAGE HOUSES WORLDWIDE.

AVAILABLE AS DEPLOYED SOFTWARE OR AS MANAGED SERVICES, ORC DEVELOPS AND MARKETS THE TOOLS NEEDED TO RUN PROFITABLE TRADING AND BROKERAGE BUSINESSES IN TODAY'S COMPETITIVE AND EVER-CHANGING MARKETS.

Built on Orc's depth of knowledge of the trading world, Orc Trading and Orc Brokerage solutions offer strong analytics, unmatched market access, high-frequency trading capabilities, automated trading strategies and execution, ultra-low latency and effective risk management.

Complementing the Orc Group's trading technology solutions, our Neonet business unit offers low-latency brokerage services to professional market participants, with customers in over 20 countries globally. CameronTec, an Orc Group company, is the market leader in FIX infrastructure and connectivity solutions.

With market presence in all global financial centers, Orc provides sales and support services from its offices across the EMEA, Americas and Asia Pacific regions.

+39%

OPERATING REVENUE OF SEK 977M

ANNUAL CONTRACT VALUE **ROSE** BY **5%** TO SEK 686M (652)

394

EMPLOYEES

13

OFFICES WORLDWIDE

ANNUAL REPORT 2010

ORC

DIRECTORS' REPORT

The Board of Directors and the CEO of Orc Software AB (publ), corporate identity number 556313-4583, domiciled in Stockholm, Sweden, hereby submit the accounts for the financial year 2010 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 also delivers independent, high speed brokerage services to professional market participants. Orc's subsidiary CameronTec is the leading provider of FIX infrastructure and low latency connectivity.

Orc has 13 offices across Europe, the Americas and Asia Pacific.

Orc is listed on Nasdaq OMX Stockholm.

Merger with Neonet AB

On April 7, 2010, Orc Software 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 issued 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. Following the extended acceptance period, the majority of Neonet's shareholders accepted the offer, which has given 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%. A compulsory redemption procedure takes between six and 18 months, but once completed Orc will hold 100% of the shares in Neonet. 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.

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.

Outlook for 2011

Ahead of 2011, Orc sees promising opportunities for the Technology segment in several areas. Examples of these include our new service-based solution Orc Hosted, demand for solutions for ETF trading and trading in structured products, as well as a number of new markets such as Japan and Brazil.

Orc also remains optimistic about CameronTec's development potential, partly thanks to a strong and growing demand for FIX-based solutions among the major banks and in emerging markets like Mexico, Brazil, Central Europe and India.

In Transaction Services, Orc is continuing its efforts to win new customers and maximize profitability at the customer level. Together with the new, lower cost level now achieved in these operations, this provides scope to attain profitability in spite of low trading volumes. Should volumes increase, it will naturally contribute further momentum.

One area of group-wide importance is the ongoing process to tie together Orc's technology and solutions with Neonet's services from both a business and technical perspective. This will create good conditions for additional cross sales.

The Group has a strong organization with in-depth expertise in its respective areas and a high level of commitment. Orc also has competitive solutions and healthy finances, not least in that over 70% of the Group's total revenue consists of recurring license revenue and that Orc is entirely free from loans.

In view of these factors, the management's assessment is that the company is well on its way to meeting its goals for 2012 to realize synergy gains of SEK 130m from the merger between Orc and Neonet and achieve an anticipated minimum operating margin of approximately 20% in a weak market and 35% or more in favorable conditions.

Market

The Technology segment reported strong sales in 2010, although the still turbulent market led to a high level of churn. Market makers in particular have suffered from lower profitability and have been forced to take cost-cutting measures. Continued weakening of the US dollar and the euro has had an inhibiting effect on both growth and profit. At the same time, Orc has gained a number of new customers, often specialized players, who actively use the foremost technology to move offensively and win market share.

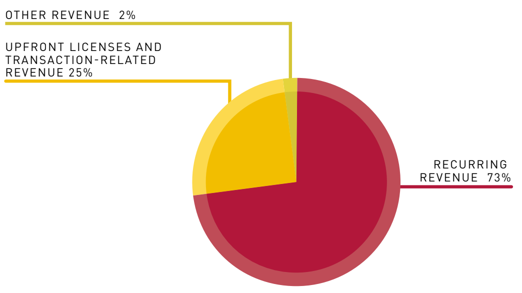
Orc has also experienced the advantage of having a Technology segment that is well diversified geographically, between different customer segments and with complementary solutions. Here, demand for the products Orc Trader and Orc Liquidator is dominant. In addition, continued strong demand is being noted for connectivity solutions, primarily in the DMA area, driven by replacement and upgrading of trading platforms among the marketplaces.

In April 2010 Orc was merged with Neonet and thus gained a new business segment, Transaction Services. Activity in the financial markets where the Group's customers in Transaction Services operate was low during the year. Intensive sales work and a comprehensive restructuring of business processes, goals and strategies in these operations have started to generate positive effects, as have efforts tie together Orc's technology and solutions with Neonet's services from both a business and technical perspective.

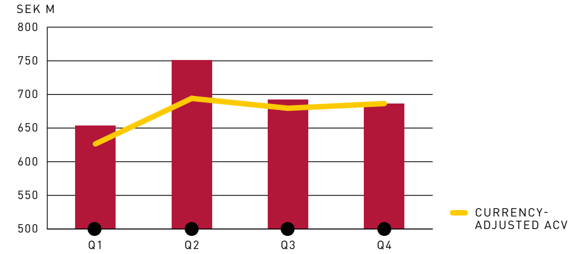
Operating revenue

Operating revenue for the full year 2010 amounted to SEK 976.7m (704.9), equal to an increase of 39% compared to the previous year. The rise in revenue is mainly due to the consolidation of Neonet. From the date of acquisition until December 31, 2010, Neonet contributed revenue of SEK 284.0m.

BREAKDOWN OF REVENUE IN 2010



ANNUALIZED CONTRACT VALUE (ACV) IN 2010



Operating expenses

Operating expenses increased during 2010 by SEK 404.3m, or 81%, compared to 2009 and reached SEK 901.7m (497.4). The increase is mainly due to the consolidation of Neonet and amortization of intangible assets arising from the merger with Neonet. Operating expenses for the year also include non-recurring costs of SEK 58.0m attributable to the merger.

Earnings

Operating income for 2010 was SEK 75.0m (207.5) and operating margin was 8% (29). Net financial items decreased by SEK 1.4m and income for the year fell by SEK 106.1m, from SEK 150.4m to SEK 44.3m.

The drop in income is explained by the consolidation of Neonet, which has contributed income of SEK -42.8m since the acquisition date, and related non-recurring costs of SEK -58.0m that are attributable to the merger. In addition, strengthening of the krona against the US dollar and euro has had a negative impact on operating revenue.

Cash flow, investments and financial position

Cash flow for the full year 2010 was SEK -87.7m (215.2). The decrease in cash flow compared to 2009 is mainly explained by lower income and an increase in working capital. A higher dividend and increased investments in intangible assets also had a negative impact on cash flow.

Of the year's cash flow from investing activities of SEK –18.8m (–11.6), SEK –50.5m (–4.3) consisted of capitalized development costs in the Technology segment.

The equity/assets ratio at December 31, 2010, was 75% (60).

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 customers 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 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, 2010, Orc had 394 (250) employees.

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 Orc's Technology segment is 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. Transaction Services 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 computer equipment.

Development costs

Orc's total development costs in 2010 amounted to SEK 128.9m (85.9), which is equal to 18% (12) of system revenue. Of these costs, SEK 50.5m (4.3) has been capitalized. The increase is attributable to both the merger with Neonet and a stronger focus on development of new products.

Parent Company

In the Parent Company, Orc Software AB, operating revenue for the full year 2010 amounted to SEK 653.0m (720.0). Operating income was SEK 140.0m (202.2) and income after tax was SEK 81.3m (147.4). The decrease is attributable partly to the transfer of operations in CameronTec to a separate subsidiary and partly to foreign exchange effects. Acquisition costs of SEK 26.9m for Neonet had no effect on the Parent Company's expenses since these are recognized in the balance sheet as part of the historical cost of shares in subsidiaries in accordance with RFR 2. The year's investments in tangible and intangible assets totaled SEK 39.1m (8.6). The Parent Company's cash and cash equivalents at December 31, 2010, amounted to 91.5m (252.8). Non-restricted equity in the Parent Company at December 31, 2010, is reported at SEK 1,578.6m (268.6).

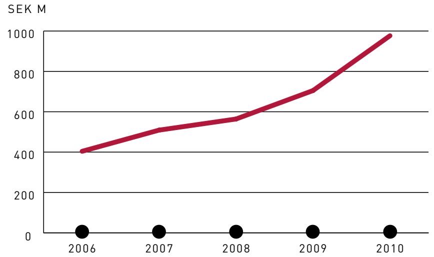
All transactions with related parties are carried out on market-based terms.

Significant risks and uncertainties

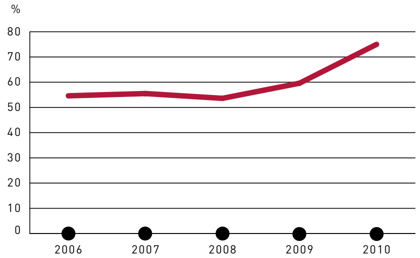
The most significant risks in the Technology segment lie in the company's ability to predict market needs and adapt its technical solutions to these, the ability to attract and retain skilled employees, risks related to the IT infrastructure, currency risks and the risk for bad debt losses.

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 and volatility in the international derivatives markets, which would most likely have a negative impact on Orc's customers and could therefore also affect staff reductions, new sales and credit risks.

REVENUE



EQUITY/ASSETS RATIO



The Technology segment operates 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. In view of this, Orc has a dedicated unit for analysis of market trends to ensure that the company's products remain at the cutting edge and always meet customer needs and requirements.

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.

This segment is 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 Technology segment 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 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 easily be denied access to the company's products.

Transaction Services are 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 credit assessment before being permitted to trade.

The day-to-day risks to which Transaction Services are exposed are measured, controlled and, where necessary, actions are taken 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 Transaction Services 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 the norm 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 2010 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, page 20.

The basic principles for the remuneration structure in 2011 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 on development for 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 limit). In addition, compensation may be paid as part of long-term incentive plans adopted by an Annual General Meeting of Orc Software AB.

The salaries of leading 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

The Orc share is 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 income.

Orc's share capital at year-end 2010 amounted to SEK 2,338,665 and was divided between 23,386,650 shares. At December 31, 2010, a further 118,625 shares attributable to the exercise of options under program 2 (2008/2010) were neither registered with the Swedish Companies Registration Office nor included in the total share capital.

At December 31, 2010, Orc had 133,900 outstanding options registered to employees. The options have a maximum potential dilutive effect of 0.6% 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 13,390 and 133,900 shares during 2011. At December 31, 2010, the options had a marginal dilutive effect on earning per share.

Orc held no shares in treasury at year-end 2010. At December 31, 2010, there were no agreements between shareholders limiting the right to transfer shares.

Appropriation of earnings

Orc Software AB (publ)

FUNDS AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:	SEK
Share premium reserve	1,440,892,847
Retained earnings	56,491,397
Income for the year	81,256,929
Total	**1,578,641,173**

THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER PROPOSE THAT THESE FUNDS BE ALLOCATED AS FOLLOWS:	SEK
A shareholder dividend of SEK 7 per share, totaling	163,706,550
To be carried forward to new account	1,414,934,623
Total	**1,578,641,173**

Proposed dividend

For 2010 the Board of Directors proposes an annual dividend of SEK 7 per share (10), equal to a total distribution of SEK 163,706,550 (154,683,820).

The Board of Directors has issued the following statement of motivation regarding the proposed dividend in accordance with Chapter 18, Section 4, of the Swedish Companies Act (2005:551):

The proposed dividend to the shareholders will reduce the Parent Company's equity/assets ratio from 81% to 80% and the Group's equity/assets ratio from 75% to 73%. In light of the sustained profitability of operations in the Parent Company and the Group, this equity/assets ratio is deemed adequate. It is likewise deemed that liquidity in the Parent Company and the Group can be maintained at an adequate level. In assessing the proposed dividend, the Board has considered Orc's business model in which revenue in the Technology segment, which accounts for over 70% of total revenue, is invoiced quarterly in advance and the Board's expectations for the Parent Company's and the Group's development in 2011.

The Board of Directors' assessment is that the proposed dividend will not hinder the company, or other companies in the Group, from fulfilling their short- or long-term obligations or from making the requisite investments. The proposed dividend can therefore be justified with respect to the provisions in the Swedish Companies Act, Chapter 17, Section 3, Paragraphs 2-3 (the cautionary rule).

The proposed record date for payment of dividends is May 6, 2011. Provided that the dividend is approved by the Annual General Meeting, dividends are expected to be disbursed by Euroclear Sweden AB (formerly VPC AB) on May 11, 2011.

Corporate governance report

Orc has chosen to present its corporate governance report separately from the annual report. The corporate governance report and the auditor's statement will be published on the website www.orcsoftware.com during the second week of April 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 Standard 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, March 18, 2011

PATRIK ENBLAD
Chairman of the Board

LARS GRANLÖF

STAFFAN PERSSON

EVA REDHE RIDDERSTAD

CARL ROSVALL

THOMAS BILL
Chief Executive Officer

Our auditor's report was submitted on March 18, 2011
Ernst & Young AB

OLA WAHLQVIST
Authorized Public Accountant

CONSOLIDATED income statement January 1 – December 31

SEK THOUSANDS	Note	2010	2009
OPERATING REVENUE	**5**		
System revenue		726,382	696,319
Transaction revenue		232,630	–
Other revenue		17,662	8,543
Operating revenue		**976,674**	**704,862**
OPERATING EXPENSES	**6**		
Cost of goods sold		–32,294	–39,091
Transaction costs		–147,408	–
External expenses			
Costs for premises	16	–44,445	–29,845
Telecom expenses		–70,219	–9,499
Other external expenses	10	–159,663	–97,407
Personnel costs	8, 23	–402,069	–291,420
Work performed by the company for its own use and capitalized	17	50,461	4,302
Depreciation, amortization and impairment losses	9	–81,377	–21,199
Foreign exchange differences	11, 12	–14,644	–13,249
Operating expenses		**–901,658**	**–497,408**
Operating income		**75,016**	**207,454**
FINANCIAL ITEMS	**13**		
Financial income		1,995	1,132
Financial expenses		–2,523	–260
Net financial items	**5**	**–528**	**872**
Income after financial items		**74,488**	**208,326**
Income tax expense	15	–30,139	–57,957
Income for the year		**44,349**	**150,369**
Translation differences		–6,515	1,501
Other comprehensive income	**12**	**–6,515**	**1,501**
Comprehensive income for the year		**37,834**	**151,870**
Income for the year attributable to non-controlling interests		–	–
Income for the year attributable to owners of the Parent Company		44,349	150,369
Comprehensive income for the year attributable to non-controlling interests		–	–
Comprehensive income for the year attributable to owners of the Parent Company		37,834	151,870
Basic earnings per share, SEK	25	2.09	9.89
Diluted earnings per share, SEK	25	2.08	9.89
Number of shares outstanding at year-end, thousands	25	23,387	15,308
Average number of shares outstanding during the year, thousands	25	21,248	15,203

CONSOLIDATED balance sheet December 31

SEK THOUSANDS	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets	17		
Capitalized development costs		113,049	34,712
Goodwill		1,055,003	167,539
Other intangible assets		486,195	56,177
Tangible assets	18		
Equipment		44,392	27,410
Financial assets	19, 20	168,966	2,006
Deferred tax assets	15	9,818	7,808
Total non-current assets		**1,877,423**	**295,652**
Current assets			
Current financial assets attributable to Transaction Services	19	16,973	–
Current receivables			
Trade receivables	19, 22	129,878	124,464
Prepaid tax	15	6,233	5,867
Other current assets	19, 24	39,312	14,480
Cash and cash equivalents	19, 31	226,315	314,953
Total current assets		**418,711**	**459,764**
TOTAL ASSETS		**2,296,134**	**755,416**
EQUITY AND LIABILITIES	**12, 23, 25**		
Equity			
Share capital		2,339	1,531
Other contributed capital		1,538,805	155,258*
Reserves		−17,897	−14,730
Retained earnings		194,438	308,121
Total equity		**1,717,685**	**450,180**
Non-current liabilities			
Deferred tax liability	15	157,807	52,087
Other non-current liabilities		976	1,242
Total non-current liabilities		**158,783**	**53,329**
Current liabilities			
Current financial liabilities attributable to Transaction Services	19	34,419	–
Trade payables	19, 26	21,139	14,108
Tax liabilities	15	10,224	17,994
Other current liabilities	19, 27	353,884	219,805
Total current liabilities		**419,666**	**251,907**
TOTAL EQUITY AND LIABILITIES		**2,296,134**	**755,416**

*Includes unregistered shares in an amount of SEK 10.6 thousand.

CONSOLIDATED statement of changes in equity 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	–	–	–	44,349	44,349
Other comprehensive income	–	–	–3,167	–3,348	–6,515
Comprehensive income for the year attributable to owners of the Parent Company	**–**	**–**	**–3,167**	**41,001**	**37,834**
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 employees' exercise of options	6	7 646	–	–	7,652
Option program	–	134	–	–	134
Closing balance at December 31, 2010	**2,339**	**1,538,805**	**–17,897**	**194,438**	**1,717,685**

2009

	Attributable to owners of the Parent Company				
SEK THOUSANDS	**Share capital**	**Other contributed capital**	**Reserves**	**Retained earnings**	**Total**
Opening balance at January 1, 2009	**1,520**	**127,979**	**–10,066**	**212,396**	**331,829**
Income for the year attributable to owners of the Parent Company	–	–	–	150,369	150,369
Other comprehensive income	–	–	–4,664	6,165	1,501
Comprehensive income for the year attributable to owners of the Parent Company	**–**	**–**	**–4,664**	**156,534**	**151,870**
Dividend for 2008	–	–	–	–60,809	–60,809
New share issue*	11	26,258	–	–	26,269
Option program	–	1,021	–	–	1,021
Closing balance at December 31, 2009	**1,531**	**155,258**	**–14,730**	**308,121**	**450,180**

*Attributable to employees' exercise of options. Of the SEK 26,258 thousand in Other contributed capital, SEK 10.6 thousand refers to unregistered share capital.

CASH FLOW STATEMENT January 1 – December 31

SEK THOUSANDS	Note	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
OPERATING ACTIVITIES					
Operating income		75,016	207,454	139,942	202,214
Adjustments for non-cash items					
Depreciation, amortization and impairment losses	9	81,005	21,199	10,776	9,012
Other adjustments for non-cash items	30	–154	19,581	13,668	26,568
Financial items	13	–529	872	2,224	62,415
Income tax paid	15	–28,137	–37,269	–36,631	–11,201
Cash flow from operating activities before changes in working capital		**127,201**	**211,837**	**129,979**	**289,008**
CHANGES IN WORKING CAPITAL					
Change in trade receivables		–11,494	32,234	19,616	27,873
Change in assets attributable to Transaction Services		56,178	–	–	–
Change in other operating assets		–3,573	8,557	–90,169	–18,859
Change in trade payables		7,123	–2,628	12,957	–2,646
Change in liabilities attributable to Transaction Services		–67,970	–	–	–
Change in other operating liabilities		–66,953	11,375	16,476	–61,354
Total change in working capital		**–86,689**	**49,538**	**– 41,120**	**–54,986**
Cash flow from operating activities		**40,512**	**261,375**	**88,859**	**234,022**
INVESTING ACTIVITIES					
Purchase of intangible assets	17	–51,725	–4,877	–28,216	–4,900
Purchase of tangible assets	18	–20,167	–7,380	–10,907	–3,687
Disposal of tangible assets		207	476	–	–
Investments in operations	4	138,732*	–	–63,911	–1,425
Change in financial assets	20	–48,260	171	–18	–
Cash flow from investing activities		**18,787**	**–11,610**	**–103,052**	**–10,012**
FINANCING ACTIVITIES					
Dividends	25	–154,684	–60,809	–154,684	–60,809
New share issue, subscription warrants		7,652	26,269	7,652	26,269
Cash flow from financing activities		**–147,032**	**–34,540**	**–147,032**	**–34,540**
Change in cash and cash equivalents		**–87,733**	**215,225**	**–161,224**	**189,470**
Cash and cash equivalents at beginning of year	31	314,953	103,788	252,773	63,303
Translation/foreign exchange differences in cash and cash equivalents	31	–905	–4,060	–	–
Cash and cash equivalents at end of year	**31**	**226,315**	**314,953**	**91,549**	**252,773**

*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	2010	2009
OPERATING REVENUE	**5, 7**		
System revenue		620,993	694,544
Other revenue		7,441	21,124
Work performed by the company for its own use and capitalized	17	24,614	4,302
Operating revenue		**653,048**	**719,970**
OPERATING EXPENSES	**7**		
Cost of goods sold		–28,757	–38,445
External expenses			
Costs for premises		–11,094	–11,381
Telecom expenses		–3,728	–2,276
Other external expenses	10	–313,016	–334,001
Personnel costs	8	–135,928	–110,888
Depreciation, amortization and impairment losses	9	–10,776	–9,012
Foreign exchange differences		–9,807	–11,753
Operating expenses		**–513,106**	**–517,756**
Operating income	**16**	**139,942**	**202,214**
FINANCIAL ITEMS	**13**		
Financial income		2,339	63,423
Financial expenses		–115	–34,179
Net financial items		**2,224**	**29,244**
Income after financial items		**142,166**	**231,458**
Appropriations	14	–31,188	–39,289
Income tax expense	15	–29,721	–44,725
Income for the year		**81,257**	**147,444**
Comprehensive income for the year		**81,257**	**147,444**

PARENT COMPANY balance sheet December 31

SEK THOUSANDS	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets	17		
Capitalized development costs		59,025	34,741
Tangible assets	18		
Equipment		18,711	14,648
Financial assets	20		
Shares in group companies	21	1,729,028	288,548
Other financial assets		30	12
Deferred tax assets	15	47	227
Total non-current assets		**1,806,841**	**338,176**
Current assets			
Current receivables			
Trade receivables		101,937	125,562
Receivables from group companies		119,735	34,082
Other current assets	24	13,635	9,119
Cash and cash equivalents	31	91,549	252,773
Total current assets		**326,856**	**421,536**
TOTAL ASSETS		**2,133,697**	**759,712**
EQUITY AND LIABILITIES	**23, 25**		
Equity			
Restricted equity			
Share capital		2,339	1,531
Paid-up capital, unregistered		–	10
Legal reserve		37,437	37,437
Non-restricted equity			
Share premium reserve		1,440,893	57,468
Retained earnings		56,491	63,732
Income for the year		81,257	147,444
Total equity		**1,618,417**	**307,622**
Untaxed reserves		**160,192**	**129,003**
Provisions			
Deferred tax liabilities	15	916	1,383
Total provisions		**916**	**1,383**
Current liabilities			
Trade payables	26	12,016	11,938
Liabilities to group companies		127,623	88,065
Tax liabilities	15	16,794	22,555
Other current liabilities	27	197,739	199,146
Total current liabilities		**354,172**	**321,704**
TOTAL EQUITY AND LIABILITIES		**2,133,697**	**759,712**
Pledged assets		None	None
Contingent liabilities		None	None

PARENT COMPANY statement of changes in equity January 1 – December 31

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SEK THOUSANDS	Share capital	Paid-up capital, unregistered	Legal reserve	Non-restricted equity	Total
Opening balance at January 1, 2010	1,531	10	37,437	268,644	307,622
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
Income for the year	–	–	–	81,257	81,257
Closing balance at December 31, 2010	**2,339**	**–**	**37,437**	**1,578,641**	**1,618,417**

*Attributable to employees' exercise of subscription warrants.

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SEK THOUSANDS	Share capital	Paid-up capital, unregistered	Legal reserve	Non-restricted equity	Total
Opening balance at January 1, 2009	1,520	–	37,437	146,768	185,725
Dividend for 2008	–	–	–	–60,809	–60,809
New share issue*	11	–	–	13,121	13,132
Paid-up capital, unregistered	–	10	–	13,127	13,137
Group contributions received	–	–	–	8,993	8,993
Income for the year	–	–	–	147,444	147,444
Closing balance at December 31, 2009	**1,531**	**10**	**37,437**	**268,644**	**307,622**

*Attributable to employees' exercise of subscription warrants.

MULTI-YEAR OVERVIEW

SEK MILLIONS	2000	2001	2002	2003	2004*	2005*	2006*	2007*	2008*	2009*	2010*
INCOME STATEMENT											
Operating income	131.3	208.0	261.9	237.1	246.6	278.1	404.3	508.7	564.2	704.9	976.7
Operating expenses excluding depreciation, amortization, impairment losses and personnel costs	–38.5	–44.9	–54.1	–56.3	–83.8	–100.9	–108.2	–122.6	–156.7	–184.8	-418.2
Personnel costs	–40.0	–69.9	–82.4	–93.2	–115.5	–133.3	–205.4	–239.9	–288.9	–291.4	-402.1
Depreciation, amortization and impairment losses	–3.2	–6.9	–10.8	–13.1	–17.7	–16.2	–23.5	–20.6	–25.3	–21.2	-81.4
Operating income	**49.7**	**86.3**	**114.6**	**74.5**	**29.6**	**27.7**	**67.3**	**125.6**	**93.3**	**207.5**	**75.0**
Net financial items	3.4	7.1	8.5	5.6	2.8	5.4	0.9	14.0	2.4	0.9	-0.5
Income after financial items	**53.1**	**93.4**	**123.1**	**80.1**	**32.4**	**33.1**	**68.2**	**139.6**	**95.6**	**208.4**	**74.5**
Income tax expense	–12.4	–28.4	–36.0	–23.7	–11.1	–12.6	–17.3	–38.3	–30.9	–58.0	-30.2
Non-controlling interests' share in income for the year	–	0.1	0.1	–0.8	–	–	–	–	–	–	–
Income for the year	**40.7**	**65.1**	**87.2**	**55.6**	**21.3**	**20.5**	**50.9**	**101.3**	**64.7**	**150.4**	**44.3**
Other comprehensive income	–	–	–	–	–	–	–	–	–8.7	1.5	-6.5
Comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55.9**	**151.9**	**37.8**
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	44.3
Comprehensive income for the year attributable to owners of the Parent Company	–	–	–	–	–	–	–	–	55.9	151.9	37.8
BALANCE SHEET											
Non-current assets	17.0	23.2	42.8	48.6	58.7	30.3	297.2	313.8	315.5	295.6	1,877.4
Trade receivables	24.9	38.9	36.2	40.7	43.1	48.1	82.8	138.9	171.3	124.5	129.9
Other receivables	5.0	6.7	12.3	13.0	24.5	16.7	19.6	24.2	28.7	20.3	62.5
Cash and cash equivalents	159.1	224.3	273.8	251.9	186.2	226.9	74.7	125.9	103.8	315.0	226.3
Total assets	**206.0**	**293.1**	**365.1**	**354.2**	**312.5**	**322.0**	**474.3**	**602.8**	**619.3**	**755.4**	**2,296.1**
Equity	147.3	191.8	245.1	244.3	199.2	192.2	258.9	334.7	331.8	450.2	1,717.7
Non-controlling interests	–	0.7	0.5	1.3	–	–	–	–	–	–	–
Non-current liabilities	6.9	12.4	19.6	23.6	25.3	26.3	51.2	49.4	47.1	53.3	158.8
Current liabilities	51.8	88.2	99.9	85.1	88.0	103.5	164.2	218.7	240.4	251.9	419.6
Total equity and liabilities	**206.0**	**293.1**	**365.1**	**354.2**	**312.5**	**322.0**	**474.3**	**602.8**	**619.3**	**755.4**	**2,296.1**

* For the years 2004–2010, the accounts are presented in compliance with IFRS. The accounts for 2000–2003 are presented according to the previously applied accounting standards.

KEY RATIOS

SEK MILLIONS UNLESS OTHERWISE SPECIFIED	2000	2001	2002	2003	2004	2005	2006	2007	2008**	2009	2010
MARGINS											
Operating margin, %	37.8	41.1	41.6	29.9	11.9	10.0	16.6	24.7	16.5	29.4	7.7
Profit margin, %	31.0	31.0	31.7	22.3	9.5	7.9	12.6	19.9	11.5	21.3	4.5
RETURN											
Return on capital employed, %	52.0	55.2	56.5	33.3	17.2	18.9	30.5	48.6	28.9	53.3	7.0
Return on equity, %	39.8	38.4	39.9	22.7	10.6	10.4	22.4	33.9	19.4	38.5	4.1
CAPITAL STRUCTURE											
Working capital	–11.8	–32.4	–28.7	–7.6	–7.2	–34.7	184.2	208.8	228.0	135.2	1,525.8
Capital employed	147.3	191.1	244.6	245.6	199.2	192.2	258.9	334.7	331.8	450.2	1,752.1
Equity	147.3	191.8	245.1	244.7	199.2	192.2	258.9	334.7	331.8	450.2	1,717.7
Interest-bearing net debt	–159.1	–224.3	–273.8	–251.9	–186.2	–226.9	–74.7	–125.9	–103.8	–315.0	–191.9
Capital turnover rate, multiple	1.3	1.2	1.3	1.0	1.2	1.4	1.9	1.8	1.7	1.8	0.9
Net debt/equity ratio, multiple	–1.1	–1.2	–1.1	–1.0	–0.9	–1.2	–0.3	–0.4	–0.3	–0.7	–0.1
Equity/assets ratio, %	71.5	65.4	67.1	69.0	63.8	59.7	54.6	55.5	53.6	59.6	74.8
CASH FLOW AND LIQUIDITY											
Cash flow before investments	55.8	99.1	115.5	56.0	32.6	51.0	93.8	100.1	62.4	261.4	40.5
Cash flow after investments	43.9	85.0	83.6	34.5	3.1	59.0	–98.3	81.6	30.8	249.8	59.3
Cash and cash equivalents	159.1	224.3	273.8	251.9	186.2	226.9	74.7	125.9	103.8	315.0	226.3
Self-financing ratio, multiple	4.7	7.0	3.6	2.6	1.1	–6.4*	0.5	5.4	1.9	22.5	-2.2*
INVESTMENTS											
Investments in non-current assets	–11.9	–14.1	–31.9	–21.5	–29.6	7.9	–192.1	–18.5	–31.6	–11.6	-119.9
EMPLOYEES											
Average number of employees	67	94	124	137	157	186	227	263	275	253	342
Revenue per employee	2.0	2.2	2.2	1.8	1.6	1.4	1.8	1.9	2.1	2.8	2.9
Value added per employee	1.3	1.7	1.6	1.2	0.9	0.9	1.2	1.4	1.4	2.0	1.4

* The company's investments in 2005 were negative due to repayment of the loan to Hun Research, which has resulted in a negative self-financing ratio. 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 has resulted in a negative self-financing ratio.

** 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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenue	131.3	208.0	261.9	237.1	246.6	278.1	404.3	508.7	564.2	704.9	976.7
Operating expenses excl. depreciation, amortization and impairment losses	–78.4	–114.8	–136.5	–149.5	–199.3	–234.2	–313.6	–362.5	–445.6	–476.2	–820.3
Income before depreciation, amortization and impairment losses	**52.9**	**93.2**	**125.4**	**87.6**	**47.3**	**43.9**	**90.7**	**146.2**	**118.6**	**228.7**	**156.4**
Change in working capital	9.8	20.7	4.2	–2.6	0.5	6.5	12.5	–18.4	–50.8	49.5	–86.7
Investments in non-current assets	–11.9	–14.1	–31.9	–21.5	–29.6	7.9	–192.1	–18.5	–31.6	–11.6	–119.9
Cash flow after investments in non-current assets	**50.8**	**99.8**	**97.7**	**63.5**	**18.2**	**58.3**	**–88.9**	**109.3**	**36.2**	**266.6**	**-50.2**

NOTES

NOTES

NOTE 1. CORPORATE INFORMATION

The consolidated accounts of Orc Software AB (publ), corporate identification number 556313-4583, domiciled in Stockholm, for the financial year 2010 have been prepared by the Board of Directors and the Chief Executive Officer. The annual report will be presented to the Annual General Meeting for adoption on May 3, 2011. The Parent Company is a Swedish public limited company (publ) that is listed on Nasdaq OMX Stockholm.

The Group's primary business activity is to provide the global financial industry with solutions for advanced trading and low latency connectivity. Through the merger with Neonet, Orc also delivers neutral, high speed brokerage services to professional market participants. Orc's subsidiary CameronTec is the leading provider of FIX infrastructure and low latency connectivity.

NOTE 2. BASIS OF PRESENTATION

The consolidated financial statements are based on the historical cost approach, 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 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 assumed 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 balances and transactions, including unrealized 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.

Of the Group's distributable earnings, approximately 90% is attributable to Swedish companies. Local dividend restrictions do not have any significant impact on the Group's dividend capacity.

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.

Business combinations prior to January 1, 2010

The following significant differences compared to the above were applied for earlier acquisitions.

Transaction-related costs were recognized as acquisition costs. The portion of the entity not acquired was measured as a proportion of the acquiree's identifiable net assets.

Step acquisitions were reported as separate acquisitions. Partial acquisitions did not affect the previously recognized goodwill.

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.

BUYOUT OF NON-CONTROLLING INTERESTS When Orc has acquired shares from non-controlled interests this has been regarded as a transaction between shareholders. According to this method, no gains or losses arise in the consolidated income statement on the purchase or sale of shares where Orc has a controlling influence both before and after the transaction. Instead, the transaction is recognized directly in equity.

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

Subsidiaries use their respective country's local currency 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.

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 not recognized over the income statement but are recognized directly in 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 2010, revenue of this type accounted for 73% (96) of total revenue.

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 service 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 consist 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 2010, revenue of this type accounted for less than 2% of total revenue.

SALES COMMISSIONS Sales commissions are payable on new sales and are based on the annualized value of sold licenses. Payments are made quarterly in arrears. This means that the company pays and expenses the sales commissions immediately, while the related revenue is recognized over periods of 12–36 months from the date of sale. Commission levels are adjusted on an annual basis.

LEASES AS LESSEE 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 Orc's operations are divided into two segments, Technology and Transaction Services, whose activities are of a differing nature and cater partly to different customers.

Technology
The Technology segment consists of the Group's advanced trading solution and infrastructure for the global financial markets. Orc's products and services in the Technology 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 through wholly owned subsidiaries whose operations consist primarily of sales and support activities, and in certain cases also development.

Transaction Services
Transaction Services consist of the Group's activities in sophisticated and independent brokerage services for professional customers in the global financial markets.

Group-wide
Functions such as the executive management, legal affairs, human resources, finance and accounting, administration, marketing, development, etc., are largely centralized and are considered to be group-wide resources. This means that a large share of the Group's expenses cannot be reliably attributed to any specific segment and therefore remain unallocated.

All intra-group transactions are of such nature that it is not possible to attribute these to any segment.

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.

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 two were active during the year. 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 refers 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 has 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 products are expensed as incurred. Costs for the development of new products are capitalized as intangible assets 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 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 within "Capitalized development costs".

This also includes Neonet's electronic trading and administrative systems. Costs that are directly associated with development of identifiable software products are capitalized when the above criteria have 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 balance sheet.

CONT'D, NOTE 2

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.

The 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 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 memberships in trading venues. The useful lives of trademarks/brands and memberships in trading venues 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.

TANGIBLE ASSETS Tangible assets are stated at cost less accumulated depreciation and impairment losses, and are tested for impairment if events or circumstances indicate that the value may not be recoverable.

Tangible assets 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 tangible assets 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 which do not comprise shares in subsidiaries or associated companies have been classified in this category. The Group's holdings in this category are classified 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. If the market for a certain financial assets is not active (and for unlisted securities), the Group determines fair value by using 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 view 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.

CONT'D, NOTE 2

The cash flow statement is presented in accordance with the indirect method, whereby net incoming and outgoing payments 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 depreciation, amortization, 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 3 months.

Changed accounting standards and disclosures for the Group

In 2010 the Group applied the same accounting policies as in the previous year with exception of the following:

NEW AND CHANGED IFRSs AND IFRIC INTERPRETATIONS IN 2010 In 2010 the Group applied the same accounting policies as in the previous year, with the exception of the following new and changed IFRSs and IFRIC interpretations that are effective for financial periods beginning on or after January 1, 2010. 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.

IFRS 3R – Business Combinations, and IAS 27R – Consolidated and Separate Financial Statements

The revised standards are effective for financial periods beginning on or after July 1, 2009. IFRS 3R introduces significant changes in the accounting treatment of business combinations carried out after this date, which affects the amount of goodwill recognized, recognized profit or loss in the period of the acquisition and recognized profit or loss for future periods. The acquisition of Neonet has been accounted for according to these principles.

IAS 27R states that once control has been achieved, further transactions whereby the parent entity acquires additional equity interests from non-controlling interests, or disposes of equity interests but without losing control, must be accounted for as equity transactions, which is consistent with the way in which Orc has previously handled transactions of this type.

Annual Improvements to IFRSs (improvement project)

In May 2008 and April 2009, the IASB published a number of minor amendments to standards in order to eliminate inconsistencies between standards and clarify wordings.

IFRS 8 – Operating Segments. States that disclosures about liabilities need be presented only if these are included in the internal reports that are presented to the chief operating decision maker. The change was effective as of January 1, 2010, with earlier adoption permitted. Orc chose to adopt early and since 2009 presents neither assets nor liabilities by segment since this information is not presented to the chief operating decision maker.

IAS 7 – Statement of Cash Flows. According to this amendment, only an expenditure that results in a recognized asset may be classified as cash flow from investing activities. This change has not had any impact on cash flow.

IAS 16 – Property, Plant and Equipment. Replaces "net selling price" with "fair value less costs to sell". Orc has changed its accounting policies in accordance with this, but the changes have not affected the Group's financial position.

IAS 36 – Impairment of Assets. When discounted cash flow is used to estimate "fair value less costs to sell", additional disclosures about the discount rate are required, like the disclosures required when discounted cash flow is used to calculate value in use. These disclosures are provided where appropriate.

The other changes have not had any impact on the Group's accounting policies or financial position.

FUTURE CHANGES IN ACCOUNTING STANDARDS A number of new or changed standards have been issued and are intended to be effective for financial periods beginning on or after January 1, 2010. Comments on the changes that can be expected to have any impact on the Group's applied accounting policies under the present circumstances are provided below.

IAS 24 – Related Party Disclosures (amendment). The amendment is effective for financial periods beginning on or after January 1, 2011, and clarifies the definition of related party in order to simplify identification of these and eliminate inconsistencies in application. The effects of this amendment have not yet been evaluated.

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 definitions in IAS 39. The standard is effective for financial 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.

Annual Improvements to IFRSs – In May 2010 the IASB published a number of amendments to standards. These amendments are effective for financial periods beginning on or after July 1, 2010, or on or after January 1, 2011. The following changes may have an impact on 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 are not expected to have any impact on the Group's financial position or profit.

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 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 profit 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.

Associated companies

Participations 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 Parent Company, work performed by the company for its own use and capitalized is recognized as revenue in accordance with the Swedish Annual Accounts Act. In the consolidated accounts, however, capitalized work for its own use is recognized as a cost reduction in compliance with IFRS.

Presentation of the balance sheet, income statement terminology

The presentation of the income statement and balance sheet and 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

Acquisition of Neonet AB

On April 7, 2010, Orc Software 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. Following the extended acceptance period, the majority of Neonet's shareholders accepted the offer, which has given 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%. A compulsory redemption procedure takes between six and 18 months, but once completed Orc will hold 100% of the shares in Neonet. 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.

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.

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

SEK THOUSANDS	CARRYING AMOUNT	FAIR VALUE ADJUSTMENT	FAIR VALUE
Purchase price			
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
Preliminary cost of compulsory redemption of the remaining Neonet shares	24,032	–	24,032
Total cost	**1,413,625**	**–**	**1,413,625**
Intangible assets excl. goodwill (Note 17)			
Capitalized development costs	–43,123	–	–43,123
Other intangible assets	–10,239	–	–10,239

CONT'D, NOTE 4

SEK THOUSANDS	CARRYING AMOUNT	FAIR VALUE ADJUSTMENT	FAIR VALUE
Tangible assets (Note 18)			
Equipment	–18,348	–	–18,348
Financial assets	–129,870	10,993	–118,877
Deferred tax asset	–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	**–**	**–464,477**	**–464,477**
Deferred tax liability on identified intangible assets	**–**	**122,158**	**122,158**
Residual item/Goodwill	**1,211,443**	**–323,979**	**887,464**

The above cost of acquisition refers to 100% of Neonet, since a preliminary value for this has been calculated despite the fact that the compulsory redemption procedure has not yet been completed. 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.

Assets and liabilities are recognized at 100%. Because the acquisition has not yet been completed 100%, the figures are preliminary. However, no significant changes are anticipated other than those mentioned above.

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 profit 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 profit of SEK –62.0m.

NOTE 5. SEGMENT REPORTING

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

REVENUE, OPERATING INCOME AND FINANCIAL ITEMS

	GROUP						PARENT COMPANY	
	REVENUE		OPERATING INCOME		NET FINANCIAL ITEMS		REVENUE	
SEK THOUSANDS	2010	2009	2010	2009	2010	2009	2010	2009
Technology	733,912	704,862	597,751	584,010	–	–	628,434	715,668
Transaction	242,762	–	–12,131	–	–	–	–	–
Group-wide	–	–	–510,604	–376,556	–528	872	24,614	4,302
Total	**976,674***	**704,862***	**75 016**	**207,454**	**–528**	**872**	**653,048**	**719,970**

* Of which SEK 151,238 thousand (68,908) is attributable to sales in Sweden.

PARENT COMPANY SALES BY GEOGRAPHICAL MARKET

SEK THOUSANDS	2010	2009
EMEA	360,927	395,800
Americas	124,136	165,101
APAC	143,370	154,767
Group-wide	24,615	4,302
Total	**653,048**	**719,970**

NOTE 6. DEVELOPMENT COSTS

SEK THOUSANDS	GROUP 2010	2009
The year's development cost	128,866	85,861
The year's amortization of capitalized development	17,057	2,932
Total development costs	**145,923**	**88,793**

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 Software AB's, purchases for the year, SEK 260,183 thousand (267,189) refers to purchases from other group companies. Of the Parent Company's sales for the year, SEK 541 thousand (12,791) refers to sales to other group companies. See also Note 21 Shares in group companies.

NOTE 8. EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	2010 TOTAL	2010 OF WHOM WOMEN	2009 TOTAL	2009 OF WHOM WOMEN
Sweden	172	51	90	23
of which Parent Company	106	27	90	23
Australia	15	3	16	3
Hong Kong	21	5	19	5
Italy	12	3	12	3
Canada	2	0	5	0
Russia	15	2	21	5
UK	34	9	32	7
Germany	4	2	5	1
USA	61	9	45	6
Other countries	6	0	8	1
Total average number of employees	**342**	**84**	**253**	**54**

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

SEK THOUSANDS	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Board and Executive Management	34,555*	31,237*	17,768	13,314
Other employees	260,968	189,016	70,888	59,271
Total salaries and other remuneration	**295,523**	**220,253**	**88,656**	**72,585**
Social security expenses	60,945	40,366	29,928	24,875
Personnel costs	17,730**	10,502**	10,168	8,889
Total social security expenses	**78,675**	**50,868**	**40,096**	**33,764**
Total salaries, other remuneration and social security expenses	**374,198**	**271,121**	**128,752**	**106,349**

* Of which variable salaries and sales commissions of SEK 7,345 thousand (9,099).

** Of which SEK 3,000 thousand (2,768) for the Executive Management.

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 schemes, benefits and salaries, including sales commissions and variable salaries for the company's CEO, other members of 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 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 other employees in the sales and service 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.

CONT'D, NOTE 8

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.

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 2010 a total of SEK 54,332 thousand (48,836) 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 the CEO Thomas Bill, are covered by a traditional pension plan. The pension cost refers to the cost that has affected income for the year.

Specification of board fees

The 2010 AGM decided that fees for the period until the 2011 AGM would be paid in an amount of SEK 450 thousand (350) to the Board Chairman and SEK 190 thousand (175) to each of the other Board members. In addition, the Nominating Committee proposes that SEK 150 thousand 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 work, he or she should be entitled to the same compensation as other members of the committee in question. Board fees for 2010, including social security expenses, were expensed in an amount of SEK 1,889 thousand (1,814), of which SEK 548 thousand (453) refers to the Chairman and SEK 1,341 (1,361) to the other members of the Board.

In addition, total board fees of SEK 380 thousand 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, 2010, Orc's Board of Directors consisted of 5 men (4) and 1 woman (2).

Specification of salary and other remuneration to the Executive Management

At December 31, 2010, Orc's Executive Management consisted of the CEO and 13 other members (12).

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 Executive Management.

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

At December 31, 2010, Orc's Executive Management consisted of 93% men (92) and 7% women (8).

2009

SEK THOUSANDS	SALARY	VARIABLE SALARY AND SALES COMMISSIONS**	PENSION*
CEO Thomas Bill	3,758	1,906	560
Other members	18,380	7,193	2,208
Total	**22,138**	**9,099**	**2,768**

* Of which SEK 164 thousand refers to gross salary deductions for other members of Executive Management.

** Of which SEK 6,326 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 health care. This insurance provides Executive Management with access to health care services and specialists as needed. Executive Management members Greg Chambers, Matteo Carcano, Martin Leamy and Hugh Stables receive insurance that provides compensation for specific types of care.

* Thomas Bill, Jesper Alfredsson, Anders Berg, Peter Bergson, Christine Blinke, Joakim Dahlstedt, Fredrik Skogby, Joacim Wiklander and Fredrik Lindqvist as of April 1.

OPTION HOLDINGS An option program for employees of Orc was launched in 2009. Under this program, Anders Berg, Peter Bergson, Joakim Dahlstedt and Fredrik Skogby acquired options at market value during 2009.

The members of Executive Management who were employed outside Sweden during 2009, namely Jesper Alfredsson, Matteo Carcano, Greg Chambers, Anders Henriksson, Martin Leamy, Hugh Stables and Joacim Wiklander, were awarded options free of charge during 2009.

No option program was started in 2010, see Note 23.

TERMINATION BENEFITS Among the other members of the Executive Management, there are agreements for termination benefits for Anders Berg, Jesper Alfredsson,

CONT'D, NOTE 8

Peter Bergson, Matteo Carcano, Anders Henriksson, Martin Leamy, Fredrik Lindqvist, Fredrik Skogby 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 continues 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 2010 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.

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

	2010	2009
Men	1.2	1.0
Women	2.4	8.4
Employees –29 years of age	1.8	1.8
Employees 30–49 years of age	1.4	3.6
Employees 50– years of age *	n/a	n/a
Total sick leave	**1.5**	**3.2**

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

The category of women includes sick leave for more than 60 days, and since the number of people in this category is low this leads to a high percentage rate of sick leave in 2009.

Sick leave for more than 60 days as a percentage of total sick leave: 30.1 (65.5).

NOTE 9. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Amortization of capitalized development costs	–15,292	–2,932	–3,932	–2,932
Amortization of other intangible assets	–45,910	–7,856	–	–
Depreciation of tangible assets	–19,419	–11,338	–6,702	–6,003
Capital gain on the sale of tangible assets	–372	–235	–142	–77
Impairment losses	–384	–	–	–
Reversal of impairment losses	–	1,162	–	–
Total depreciation, amortization and impairment losses	**–81,377**	**–21,199**	**–10,776**	**–9,012**

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	2010	2009	2010	2009
To the Parent Company's auditors				
Auditing assignments	1,132	763	490	763
Auditing services outside the scope of the audit	1,254	475	1,042	475
Tax advice	4	7	4	7
Other services	–	–	–	–
To other auditors				
Auditing assignments	1,152	207	–	–
Other services	–	50	–	–
Total	**3,542**	**1,502**	**1,536**	**1,245**

NOTE 11. DERIVATIVE INSTRUMENTS

Value changes attributable to forward exchange contracts are recognized "net in foreign exchange differences". The net income effect for the period January–December 2010 was SEK –0.6m (0.7).

At December 31, 2010, the Group's derivative instruments amounted to SEK 0,5m (0,0) and are reported under other current assets.

The Group had no embedded derivatives during 2010 or 2009.

NOTE 12. FOREIGN EXCHANGE DIFFERENCES

EXCHANGE RATES (AGAINST SEK)

	AVERAGE RATE JANUARY–DECEMBER		CLOSING DAY RATE 31 DECEMBER	
	2010	2009	2010	2009
USD	7.20	7.65	6.80	7.21
EUR	9.54	10.62	9.00	10.35
GBP	11.13	11.93	10.55	11.49
DKK	1.28	1.43	1.21	1.39
AUD	6.61	6.01	6.92	6.43
CHF	6.91	7.03	7.24	6.95
CAD	6.99	6.70	6.81	6.89
HKD	0.93	0.99	0.88	0.93
JPY	0.082	0.082	0.083	0.078

FOREIGN EXCHANGE DIFFERENCES IN OPERATING INCOME

	GROUP	
SEK THOUSANDS	2010	2009
Attributable to operating activities	–14,644	–13,249
Total foreign exchange differences in operating income	**–14,644**	**–13,249**
Total foreign exchange differences affecting other financial items	**–14,644**	**–13,249**

FOREIGN EXCHANGE DIFFERENCES IN EQUITY

	GROUP	
	2010	2009
Change related to translation differences in foreign subsidiaries	–6,515	1,501
Total change in foreign exchange differences in equity	**–6,515**	**1,501**

Foreign exchange differences in equity are in accordance with Orc's other comprehensive income items.

Orc does not report any tax effects of foreign exchange differences.

NOTE 13. NET FINANCIAL ITEMS

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Financial income				
Dividends from subsidiaries	–	–	–	62,758
Interest income from subsidiaries	–	–	1,285	–
Interest income from others	1,995	1,132	1,054	665
Total financial income	**1,995**	**1,132**	**2,339**	**63,423**
Financial expenses				
Interest expenses to subsidiaries	–	–	–	–800
Interest expenses to others	–2,523	–260	–115	–208
Impairment losses on shares in subsidiaries	–	–	–	–33,171
Total financial expenses	**–2,523**	**–260**	**–115**	**–34,179**
Net financial items	**–528**	**872**	**2,224**	**29,244**

NOTE 14. APPROPRIATIONS

	PARENT COMPANY	
SEK THOUSANDS	2010	2009
Provision to tax allocation reserve	–38,372	–59,454
Reversal of tax allocation reserve	8,084	21,365
Excess depreciation	–900	–1,200
Total appropriations	**–31,188**	**–39,289**

NOTE 15. INCOME TAX EXPENSE

REPORTED TAX EXPENSE

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Current tax attributable to:				
– income for the year	–45,231	–46,863	–30,096	–43,224
– prior years	901	–745	863	–570
– previously unutilized loss carryforwards	468	295	–	–
– paid foreign taxes	–	–809	–	–995
– imputed income on tax allocation reserves	–950	–506	–774	–479
Total current tax	**–44,812**	**–48,628**	**–30,007**	**–45,268**
Deferred tax attributable to:				
– intangible assets	11,069	2,198	–	–
– temporary differences	–1,071	–2,082	286	543
– changes in tax allocation reserves	–764	–9 445	–	–
– capitalized loss carryforwards	5,439	–	–	–
Total deferred tax	**14,673**	**–9,329**	**286**	**543**
Total reported tax expense	**–30,139**	**–57,957**	**–29,721**	**–44,725**

RECONCILIATION OF CURRENT TAX RATE

	% GROUP		% PARENT COMPANY	
	2010	2009	2010	2009
Swedish tax rate, %	**26.3**	**26.3**	**26.3**	**26.3**
Tax effect of:				
Difference in tax rates	0.9	–0.6	–	–
Non-deductible expenses	12.8*	0.7	0.4	4.0
Non-taxable income	–0.1	–0.2	0.0	–7.2
Temporary differences	0.0	0.0	–	–0.1
Foreign tax paid	0.4	0.4	–	0.4
Tax attributable to prior years	–1.3	0.4	–0.6	0.2
Imputed income on tax allocation reserves	1.3	0.2	0.5	0.2
Loss carryforwards	–0.8	0.6	–	–
Non-capitalizable loss carryforwards	1.0	–	–	–
Actual tax rate	**40.5**	**27.8**	**26.6**	**23.8**

*Refers to acquisition costs

DEFERRED TAX ASSETS

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Deferred tax attributable to excess depreciation	–	312	–	227
Deferred tax attributable to accrued expenses and deferred income	594	7,123	–	–
Deferred tax attributable to loss carryforwards	9,224	373	–	–
Deferred tax assets	**9,818**	**7,808**	**–**	**227**

PREPAID TAX

	GROUP	
SEK THOUSANDS	2010	2009
Dedication for paid tax	6,233	5,867
Prepaid tax	**6,233**	**5,867**

DEFERRED TAX LIABILITIES

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Deferred tax liabilities on untaxed reserves in Swedish companies	44,688	36,933	–	–
Deferred tax attributable to excess depreciation	916	271	916	1,383
Deferred tax attributable to intangible assets	118,329	14,883	–	–
Deferred tax attributable to loss carryforwards	–6,517	–	–	–
Deferred tax attributable to temporary differences	391	–	–	–
Deferred tax liabilities	**157,807**	**52,087**	**916**	**1,383**

CONT'D, NOTE 15

TAX LIABILITIES

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Tax liabilities attributable to income for the year	10,224	17,994	16,794	22,555
Tax liabilities	**10,224**	**17,994**	**16,794**	**22,555**

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

NOTE 16. LEASES

Operating leases in forced are summarized as follows:

PREMISES AND RELATED EQUIPMENT

SEK THOUSANDS	GROUP	PARENT COMPANY
Future annual payment obligations:		
2011	19,669	7,566
2012–2015	31,933	–
2016 or later	33,134	–
Total	**84,736**	**7,566**

The difference between total future lease payments on the balance sheet date and the present value of these amounts to SEK 8.6m (4.2), discounted by a five-year risk-free interest rate in SEK.

The lease contracts for offices include customary indexation clauses.

Lease payments in 2010 amounted to SEK 37,211 thousand (20,660) in the Group and SEK 9,856 thousand (10,071) in the Parent Company.

Orc has no finance lease commitments.

NOTE 17. INTANGIBLE ASSETS

2010	GROUP			PARENT COMPANY
SEK THOUSANDS	CAPITALIZED DEVELOPMENT COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	CAPITALIZED DEVELOPMENT COSTS
Opening cost	49,162	167,539	90,685	49,191
The year's investments	50,506	–	1,219	28,216
Business combinations	214,028	887,464	475,277	–
Translation differences	–	–	–55	–
Closing accumulated cost	**313,696**	**1,055,003**	**567,126**	**77,407**
Opening amortization and impairment losses	–14,450	–	–34,508	–14,450
The year's amortization	–15,292	–	–45,910	-3,932
Business combinations	–170,905	–	–561	–
Translation differences	–	–	48	–
Closing accumulated amortization and impairment losses	**–200,647**	**–**	**–80,931**	**–18,382**
Closing carrying amount	**113,049**	**1,055,003**	**486,195**	**59,025**

2009	GROUP			PARENT COMPANY
SEK THOUSANDS	CAPITALIZED DEVELOPMENT COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	CAPITALIZED DEVELOPMENT COSTS
Opening cost	66,860	167,539	90,682	66,860
The year's investments	4,871	–	6	4,900
Disposals	–22,569	–	–3	–22,569
Closing accumulated cost	**49,162**	**167,539**	**90,685**	**49,191**
Opening amortization and impairment losses	–34,087	–	–26,655	–34,087
The year's amortization	–2,932	–	3	–2,932
The year's impairment losses	–	–	–7,856	–
Disposals	22,569	–	–	22,569
Closing accumulated amortization and impairment losses	**–14,450**	**–**	**–34,508**	**–14,450**
Closing carrying amount	**34,712**	**167,539**	**56,177**	**34,741**

Other intangible assets refer primarily to customer relationships of SEK 310.3m (14.8), technology of SEK 78.3m (39.4), trademarks/brands of SEK 50.2m (2.0), customer contracts of SEK 24.8m (-) and memberships in trading venues of SEK 15.6m (-) 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 5-15 years.

Goodwill in Orc is attributable to the acquisitions of Neonet and Cameron Systems and amounted to SEK 1,055.0m (167.5) at December 31, 2010. Other intangible assets attributable to the acquisitions amount to SEK 486.2m (56.2), of which SEK 65.6m (-) refers to trademarks/brands and memberships in trading venues, are deemed to have an indefinite useful life as long as operations continue. Orc has identified Neonet and Cameron Systems as its cash-generating units for impairment testing of intangible assets with an indefinite useful life, mainly goodwill. The recognized value of goodwill attributable to Neonet is SEK 887.5m and goodwill attributable to Cameron amounts to SEK 167.5m. The recognized amount of other intangible assets with an indefinite useful life of SEK 65.6m is entirely attributable to Neonet. The recoverable value for the cash-generating units has been determined based on a calculation of value in use. Should value in use be lower than the carrying amount, impairment is indicated.

Value in use for Neonet has been calculated through an update, at the end of the year, of the value on which the purchase price for the acquisition was based. This valuation is 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 have been discounted to present value with a discount rate of 11.5-15.8% after tax. The higher discount rate has been used for future cash flows in brokerage operations as a risk premium for the uncertainty of future forecasts. The value in use thus calculated for Neonet exceeds the carrying amount, for which reason the management's assessment is that there is no indication of impairment.

Value in use for Cameron has been 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 is assumed to be 5%. The future cash flows have been discounted to present value with a discount rate of 9.1% after tax. The value in use thus calculated for Cameron exceeds the carrying amount, for which reason the management's assessment is that there is no indication of impairment. Should the growth rate after five years instead be set at 2.5%, value in use would still exceed the carrying amount.

NOTE 18. TANGIBLE ASSETS

EQUIPMENT

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Opening cost	94,210	90,583	58,101	54,525
The year's investments	20,167	7,380	10,907	3,687
Business combinations	85,557	–	–	–
The year's disposals	–38,803	–741	– 17,931	–111
Translation differences	–2,898	–3,012	–	–
Closing accumulated cost	**158,233**	**94,210**	**51,077**	**58,101**

CONT'D, NOTE 18

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Opening accumulated depreciation and impairment losses	–66,800	–57,130	–43,453	–37,484
Business combinations	–67,209	–	–	–
The year's disposals	38,224	506	17,789	34
The year's depreciation	–19,418	–11,338	–6,702	–6,003
The year's impairment losses	–384	–	–	–
The year's reversal of impairment losses	–	1,162	–	–
Translation differences	1,746	–	–	–
Closing accumulated depreciation and impairment losses	**–113,841**	**–66,800**	**– 32,366**	**–43,453**
Closing carrying amount	**44,392**	**27,410**	**18,711**	**14,648**

NOTE 19. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2010

ASSETS IN THE BALANCE SHEET		ASSETS AT FAIR VALUE	
SEK THOUSANDS	LOANS AND RECEIVABLES	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
Accounts receivable	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	FINANCIAL LIABILITIES	LIABILITIES AT FAIR VALUE	
SEK THOUSANDS	AT AMORTIZED COST	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).

2009

ASSETS IN THE BALANCE SHEET		ASSETS AT FAIR VALUE	
SEK THOUSANDS	LOANS AND RECEIVABLES	THROUGH PROFIT OR LOSS	TOTAL
Financial assets	2,006	–	2,006
Trade receivables	124,464	–	124,464
Other current assets	3,289	–	3,289
Cash and cash equivalents	314,953	–	314,953
Total financial assets	**444,712**	**–**	**444,712**

LIABILITIES IN THE BALANCE SHEET	FINANCIAL LIABILITIES	LIABILITIES AT FAIR VALUE	
SEK THOUSANDS	AT AMORTIZED COST	THROUGH PROFIT OR LOSS	TOTAL
Trade payables	14,108	–	14,108
Other current liabilities	39,822	–	39,822
Total financial liabilities	**53,930**	**–**	**53,930**

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, 2010.

NOTE 20. FINANCIAL ASSETS

FINANCIAL ASSETS

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Pledgeable treasury bills	94,748	–	–	–
Bonds and other fixed income securities	72,340	–	–	–
Rent deposits paid	1,538	1,726	30	12
Other non-current receivables	340	280	–	–
Total financial assets	**168,966**	**2,006**	**30**	**12**

NOTE 21. SHARES IN GROUP COMPANIES

COMPANY	CORPORATE ID NO.	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	31,953
Neonet AB	556530-1263	Stockholm	65,066,114	98.3	1,440,480
Orc Education AB	556611-4087	Stockholm	1,000	100	105
Orc ExNet Transaction Services AB	556613-3251	Stockholm	4,000	100	5,628
Orc Software B.V.	34294350	Amsterdam	18,000	100	239
Orc Software East AB	556472-1685	Stockholm	1,000	100	100
Orc Software GmbH	hrb 502 15	Frankfurt	–	100	211
Orc Software GmbH	FN 195812i	Vienna	–	100	146
Orc Software GmbH	Ch-020.4.024.095-5	Zürich	–	95	128
Orc Software HK Ltd	773 037	Hong Kong	9,900	99	12
Orc Software Inc.	52-231 99 50	Delaware	100,000	100	1,028
Orc Software 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 Software Pty Ltd	091 454 045	Sydney	20,000	100	106
Orc Software S.r.l.	130 89 980 158	Milan	9,500	95	85
Orc Software Stockholm AB	556510-5367	Stockholm	1,190	100	1,269
Promyzer AB	556632-7580	Stockholm	114,800	100	1,950
Total, SEK thousands					**1,729,028**

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 (Zürich) is motivated by local rules. In light of the fact that Orc controls the remaining shares in these companies, they are consolidated in full in the consolidated financial statements. Orc holds a total of 98.3% of the votes and share capital in Neonet AB. On May 3, 2010, Orc initiated compulsory redemption of the remaining 1.7%. A compulsory redemption procedure takes between six and 18 months, but once completed Orc will hold 100% of the shares in Neonet AB. Other subsidiaries are wholly owned by the Parent Company.

Orc had no associated companies at December 31, 2010.

	PARENT COMPANY	
SEK THOUSANDS	2010	2009
Opening balance	288,548	297,997
Shareholder contributions	–	22,297
Impairment losses on shares in subsidiaries	–	–33,171
Costs for company formation	–	1,425
Acquisition of subsidiaries	1,440,480	–
Closing balance	**1,729,028**	**288,548**

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	2010	2009
Not yet due	46,562	51,766
1–30 days	53,270	56,927
31–180 days	32,215	21,579
>180 days	19,366	22,147
Total	**151,413**	**152,419**

PROVISIONS FOR DOUBTFUL DEBTS

		GROUP
SEK THOUSANDS	2010	2009
Provisions at January 1	27,955	12,250
Provisions for doubtful debts	4,286	16,895
Confirmed losses	–10,706	–1,190
Provisions at December 31	**21,535**	**27,955**

CONT'D, NOTE 22

TOTAL TRADE RECEIVABLES

	GROUP	
SEK THOUSANDS	2010	2009
Outstanding trade receivables	151,413	152,419
Provisions for doubtful debts	–21,535	–27,955
Total trade receivables	**129,878**	**124,464**

CONCENTRATION OF CREDIT RISK – THE 10 LARGEST CLAIMS

	2010 NO. OF CUSTOMERS	2010 SHARE OF TOTAL TRADE RECEIVABLES AT DECEMBER 31	2009 NO. OF CUSTOMERS	2009 SHARE OF TOTAL TRADE RECEIVABLES AT DECEMBER 31
Exposure < SEK 2m	–	0%	–	0%
Exposure SEK 2–4m	6	19%	8	15%
Exposure > SEK 4m	1	3%	2	6%
Total	**7**	**22%**	**10**	**21%**

CONT'D, NOTE 22

Of total trade receivables at December 31, 2010, 37% referred to receivables in US dollars, 49% in euros and 6% 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 continuing 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 10.7m (1.2), which is equal to 1.1% (0.2) of operating revenue. Provisions for doubtful debts decreased during the year and amounted to SEK 21.5m (28.0) on December 31, 2010.

NOTE 23. SHARE-BASED PAYMENT

Orc has issued option programs to its employees. In 2010, two programs were active. All of Orc's option programs cover all of the Group's employees and each program is divided into two sub-programs, one for employees in Sweden and one for employees outside Sweden.

NUMBER OF OPTIONS	PROGRAM 2 2008/2010	PROGRAM 3* 2009/2011	TOTAL
Options outstanding at the beginning of the year attributable to employees in Sweden	102,000	45,500	147,500
Options outstanding at the beginning of the year attributable to employees outside Sweden	131,025	93,500	224,525
Total number of options outstanding at the beginning of the year	**233,025**	**139,000**	**372,025**
Options granted during the period attributable to employees in Sweden	–	–	–
Options granted during the period attributable to employees outside Sweden	–	–	–
Total number of options granted during the period	**–**	**–**	**–**
Options forfeited during the period attributable to employees in Sweden	–	–	–
Options forfeited during the period attributable to employees outside Sweden	–3,400	–5,100	–8,500
Total number of options forfeited during the period	**–3,400**	**–5,100**	**–8,500**
Options exercised during the period attributable to employees in Sweden	–54,300	–	–54,300
Options exercised during the period attributable to employees outside Sweden	–85,525	–	–85,525
Total number of options exercised during the period**	**–139,825**	**–**	**–139,825**
Options expired during the period attributable to employees in Sweden	–47,700	–	–47,700
Options expired during the period attributable to employees outside Sweden	–42,100	–	–42,100
Total number of options expired during the period	**–89,800**	**–**	**–89,800**
Options outstanding at the end of the year attributable to employees in Sweden	–	45,500	45,500
Options outstanding at the end of the year attributable to employees outside Sweden	–	88,400	88,400
Total number of options outstanding at the end of the year	**–**	**133,900**	**133,900**

*The program is not fully subscribed. The total number of options is 152,000.
** Of which 118,625 options at December 31, 2010, were not registered as shares with the Swedish Companies Registration Office and are not included in equity.

Employees in Sweden

Employees in Sweden have been invited to acquire options in Orc Software AB (publ). The options were acquired at fair value based on a market valuation performed by independent valuation companies. The options have a maturity of three years.

Program 1 expired on December 31, 2009.

Under program 2, 55,900 options were acquired in 2008 at a price of SEK 9.30 each. Later in the same year, an additional 46,100 options were acquired under program 2 at a price of SEK 14.70 each. Each option entitles the holder to subscribe for one share in Orc Software AB during the period from registration to December 31, 2010, at a subscription price of SEK 127.

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 Software 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 three active programs end on December 31, 2008, December 31, 2009 and December 31, 2010, respectively.

The options have a maturity of three years.

Program 1 expired on December 31, 2009.

Under program 2, each option entitles the holder to subscribe for one share in Orc Software AB during the period January 1 – December 31, 2010, at a subscription price of SEK 127.

Under program 3, each option entitles the holder to subscribe for one share in Orc Software AB during the period January 1 – December 31, 2011, at a subscription price of SEK 136.

The options granted to employees outside Sweden have resulted in a charge of SEK 23 thousand (1,567) that is recognized in personnel costs.

Valuation of Orc's option programs

The fair value of granted options on the valuation date of May 15, 2009, was SEK 0.9m. The corresponding fair value of program 1 amounted to SEK 2.2m and the value of program 2 amounted to SEK 1.5m. The following parameters were used to determine the fair value of the option:

CONT'D, NOTE 23

VALUATION DATE	MAY 15, 2009	AUG 8, 2008	JUNE 11, 2008
Current share value, SEK	124.50	118.00	104.25
Subscription price, SEK	136	127	127
Maturity, years	2.7	2.4	2.6
Volatility, %	35	25	25
Risk-free interest rate, %	1.8	4.3	4.6
Present value of dividend per share, SEK	9.71	8.64	8.58
Maximum dilutive effect, %	0.99	0.30	1.67
Valuation model	Black & Scholes	Black & Scholes	Black & Scholes
Fair value of the option	**9.90**	**14.70**	**9.30**

The anticipated volatility is based on the share's historical volatility, which has amounted to 38–41% (35–36) and the implicit volatility of a previous options program that was implemented by Hagströmer & Qviberg, which has been estimated at 15–21%. The valuation has also taken into account the relatively long remaining time to maturity for the Orc options and, according to established financial theory, the fact that volatility tends toward a lower normalized level in the long term. In light of the above, the assessment is that an expected future volatility of approximately 25% is reasonable for program 2 as well as 35% for program 3.

NOTE 24. OTHER CURRENT ASSETS

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Receivable from liquidity bank	7,303	–	–	–
Funds deposited with clearing organizations	1,568	–	–	–
VAT receivable	7,505	–	7,100	–
Receivables from suppliers	2,020	–	–	–
Accrued interest income	469	172	383	165
Other accrued income	1,001	775	374	775
Prepaid rents and insurance premiums	6,354	3,993	3,385	2,991
Other deferred expenses	6,347	7,048	2,317	4,884
Other receivables	6,745	2,492	76	304
Total other current assets	**39,312**	**14,480**	**13,635**	**9,119**

NOTE 25. EQUITY

EQUITY IN THE PARENT COMPANY

NO. OF SHARES/SEK	No. of shares	Share capital	Share premium
Opening balance, January 1, 2009	15,202,282	1,520,228	31,220,152
New share issue attributable to exercise of options	105,900	10,590	26,248,215
Closing balance, December 31, 2009	15,308,182	1,530,818	57,468,367
New share issue attributable to exercise of 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**

All shares have a quota value of SEK 0.10 each. Orc has outstanding options that could increase the number of shares by 0.9% (3.0).

LEGAL RESERVE
The legal reserve amounts to SEK 37,437 thousand (37,437).

EARNINGS PER SHARE

SEK	2010	2009
Before dilution	2.09	9.89
After dilution	2.08	9.89

AVERAGE NUMBER OF SHARES

THOUSANDS	2010	2009
Before dilution	21,248	15,203
After dilution	21,271	15,203

CONT'D, NOTE 25

TREASURY SHARES
At December 31, 2010, 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 7.00 per share (10.00), or a total of SEK 163,707 thousand (154,684), which is equal to 369% (103) of profit 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	2010	2009	2010	2009
Advance billing	170,632	163,120	142,761	163,050
Accrued personnel costs	42,607	38,636	15,426	5,391
Personnel-related taxes	16,811	3,279	6,766	16,945
Liabilities to credit institutions	16,320	–	–	–
Client accounts	11,361	–	–	–
Accrued transaction costs	11,392	–	–	–
Data communication and stock market information	10,265	–	–	–
Restructuring charges	8,206	–	1,283	–
Other accrued expenses	14,073	11,787	6,555	6,233
Other current liabilities*	52,217	2,983	24,948	7,527
Total other current liabilities	**353,884**	**219,805**	**197,739**	**199,146**

* Other current liabilities 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, 2010, SEK 0m (0) had been utilized.

Parent Company

The granted overdraft facilities amount to SEK 40m (40). At December 31, 2010, 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 to these instruments are:

- Foreign exchange risks related to cash flow 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 operation 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 trough 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 have 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 invoicing to customers in the Nordic countries takes place in Swedish kronor. Customers outside the Nordic countries are invoiced primarily in US dollars and euros, although invoicing 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 invoicing exceeds expenses, and in British pounds where expenses exceed revenue since the invoicing for UK customers is primarily denominated in US dollars.

The Group's exposed net inflow in 2010 amounted to approximately SEK 300m (341) and can be broken down according to the table below.

INFLOWS IN SEK M	2010	2009
USD	207	218
EUR	163	188
AUD	1	11
CAD	25	9
CHF	6	–1
DKK	0	5
NOK	5	–
Total	**407**	**430**

OUTFLOWS IN SEK M	2010	2009
GBP	–58	–49
HKD	–34	–33
RUB	–9	–8
JPY	–6	1
Total	**–107**	**–89**

The effect of foreign exchange hedges on income at an operating level amounted to SEK -0.6m (0.7) in 2010.

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 2010 led to a cost of SEK –14.6m (–13.2).

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 no interest-bearing liabilities. Orc'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.

In 2009 the Board decided to invest a portion of the company's capital in property and deposit certificates, which are recognized as cash and not short-term investments.

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

NOTE 30. ADJUSTING ITEMS IN THE CASH FLOW STATEMENT

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Pre-billed income	7,512	15,774	7,512	15,774
Impairment losses on receivables	4,009	15,680	4,009	15,266
Capital gains on the sales of tangible assets	372	2,372	–	–
Restructuring charges	8,216	–19,012	1,283	–4,472
Deferred tax	–17,975	3,415	–	–
Options	134	1,021	–	–
Foreign exchange differences, etc.	–2,422	331	2	–
Total adjusting items in the cash flow statement	**-154**	**19,581**	**12,806**	**26,568**

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 3 months. In certain cases Orc has had short-term investments that have maturities of more than 3 months but are regarded as short-term because they can be redeemed prematurely.

	GROUP		PARENT COMPANY	
SEK THOUSANDS	2010	2009	2010	2009
Cash and cash equivalents	226,315	314,953	91,549	252,773
Total cash and cash equivalents	**226,315**	**314,953**	**91,549**	**252,773**

At December 31, 2010, Orc had SEK – thousand (69,806) placed in residential mortgage certificates and SEK – thousand (29,926) in certificates of deposit. These are classified as cash and cash equivalents.

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 1,533 thousand (2,231).

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 224,659 thousand (–) at December 31, 2010.

NOTE 33. EVENTS AFTER THE BALANCE SHEET DATE

The balance sheet and income statement will be adopted by the Annual General Meeting on May 3, 2011. In connection with this, Orc will issue a press release about the resolutions passed by the Annual General Meeting.

Board Chairman becomes new COO

On February 10, 2011, it was announced that the company's Chairman Markus Gerdien would take up the newly established position as Chief Operating Officer of Orc and would thus leave the company's board of directors with immediate effect. Patrik Enblad has been appointed as the new Board Chairman until the Annual General Meeting. Patrik Enblad, CEO of Newsec, has served on Orc's Board since 2005.

AUDIT REPORT

To the Annual General Meeting of Orc Software AB
Corporate identification number 556313-4583
We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of Orc Software AB for the financial year 2010. The company's annual report is included in the printed version of this document on pages 1–29. The Board of Directors and the CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO and significant estimates made by the Board of Directors and the CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, March 18, 2011

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 and 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

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 minority interest up to and including 2003. From 2004 and onwards, 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.

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.

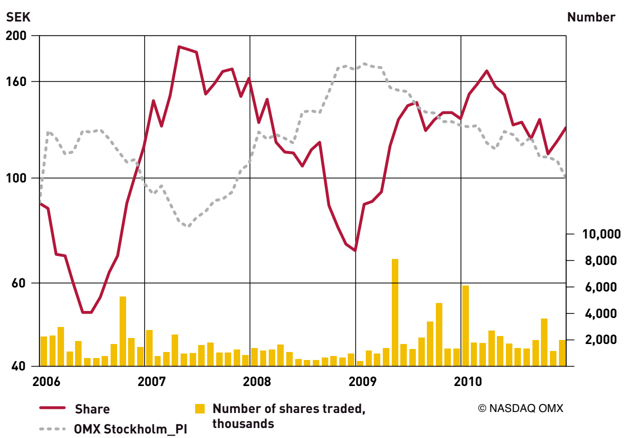
Return on equity Income for the year excluding minority share in income for the year as a percentage of average equity.

THE SHARE

The Orc share is quoted on Nasdaq OMX Stockholm under the ticker symbol ORC. The Orc share was listed on Nasdaq OMX Stockholm on October 19, 2000, at an introductory price of SEK 120 per share. In 2010 Orc's market capitalization increased by 46% to SEK 2,988m (2,044). The number of shares increased by SEK 8,078,318 during the year, mainly as a result of the new share issue related the merger with Neonet.

Price development and trading volume

Orc's share price fell by 4% during 2010, from SEK 133.50 to SEK 127.75. The OMX Stockholm_PI all-share index rose by 23.1% over the same period. The highest price paid for the Orc share in 2010 was SEK 182.50 on January 21, and the lowest was SEK 108.25 on November 19. At year-end 2010 Orc had a market capitalization of SEK 2,988m (2,044) based on the last price paid. The number of Orc shares traded in 2010 amounted to 27.8 million (28.1).



Ownership structure

The number of shareholders in Orc at December 30, 2010, was 6,086 (4,305). The ten largest shareholders accounted for 50% (46) of the votes and capital at year-end 2010. The number of institutional investors was 1,104 (846), with a combined holding of 90% (92). The number of foreign shareholders was 441 (363), which accounted for 38% (6) of the votes and capital.

DISTRIBUTION OF SHAREHOLDINGS

HOLDING	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF VOTES AND CAPITAL
1–500	4,975	674,694	2.88
501–1,000	623	519,674	2.22
1,001–5,000	516	1,228,601	5.25
5,001–10,000	76	551,105	2.36
10,001–15,000	29	359,416	1.54
15,001–20,000	26	462,818	1.98
20,001–	107	19,590,342	83.77
Total	**6,086**	**23,386,650**	**100.00**

Source: Euroclear AB, direct and nominee shareholders at December 30, 2010.

ORC SOFTWARE'S TEN LARGEST SHAREHOLDERS

	NO. OF AKTIER	% OF VOTES OCH KAPITAL
Swedbank Robur fonder	2,291,843	9.80
SEB Investment Management	1,966,948	8.41
ZIMBRINE HOLDING BV	1,608,975	6.88
SEB ASSET MANAGEMENT S A	1,175,000	5.02
Handelsbanken fonder incl XACT	973,975	4.16
AMF – Försäkring och Fonder	854,682	3.65
UNION BANK OF SWITZERLAND LUXEMB	794,811	3.40
SSB CL OMNIBUS AC OM07 (15 PCT)	778,144	3.33
BERINOR B.V.	718,363	3.07
Handelsbanken Sverige selektiv	500,000	2.14
Other shareholders	11,673,909	50.14
Total	**23,386,650**	**100.0**

Source: Euroclear AB, direct and nominee shareholders at December 30, 2010.

Transfer of treasury shares

At year-end 2010, Orc held no shares in treasury.

Share structure

The Orc share is 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 income.

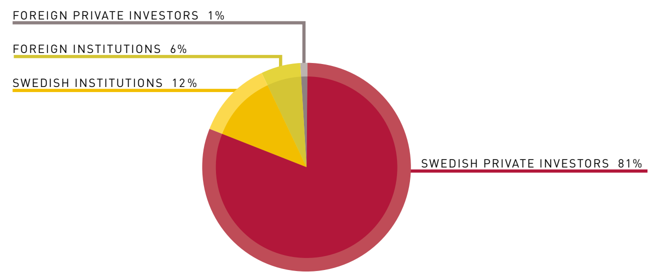
Orc's share capital at year-end 2010 amounted to SEK 2,338,665 and was divided between 23,386,650 shares. At December 31, 2010, a further 118,625 shares attributable to the exercise of options under program 2 (2008/2010) were neither registered with the Swedish Companies Registration Office nor included in the total share capital.

At December 31, 2010, Orc had 133,900 outstanding options registered to employees. The options have a maximum potential dilutive effect of 0.6% 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 13,390 and 133,900 shares during 2011.

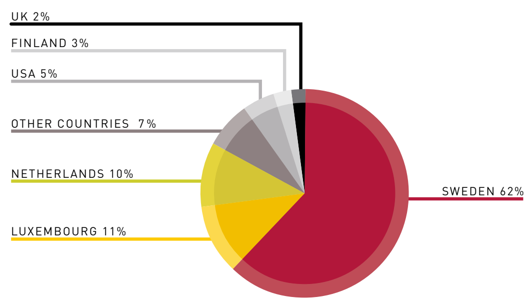
At December 31, 2010, the options had a marginal dilutive effect on earning per share since the average price of the share during the period was lower than the exercise price of the options.

At December 31, 2010 Orc had no outstanding convertible loans.

OWNERSHIP STRUCTURE BY CATEGORY



OWNERSHIP STRUCTURE BY COUNTRY



Source: Euroclear AB, direct and nominee shareholders at December 30, 2010.

Dividend policy

The objective of the Board of Directors' is to pay the shareholders a dividend equal to approximately 50% of income after tax, provided that a sound capital structure is maintained. For 2010 the Board of Directors proposes a dividend of SEK 7.00 per share (10.00), amounting to a total of SEK 163.7m (154.7), which is equal to 369% (103) of income after tax.

Analysts that monitor Orc

Analysts that monitored the Orc share at year-end 2010:
ABG Sundal Collier, D. Carnegie, Danske Equities, Handelsbanken, Nordea Markets, SEB Enskilda Securities and Swedbank.

Changes in the share capital

YEAR	TRANSACTION	INCREASE IN SHARE CAPITAL, SEK	INCREASE IN THE NO. OF SHARES	SHARE CAPITAL, SEK	TOTAL NO. OF SHARES	QUOTA VALUE
1987	Company founded	50,000	500	50,000	500	100
1988	New share issue	1,150,000	11,500	1,200,000	12,000	100
1999	1,000-for-1 share split	–	11,988,000	1,200,000	12,000,000	0.10
1999	Directed share issue*	225,000	2,250,000	1,425,000	14,250,000	0.10
2000	New share issue	60,000	600,000	1,485,000	14,850,000	0.10
2006	Directed share issue**	35,228	352,282	1,520,228	15,202,282	0.10
2009 Aug	New share issue	150	1,500	1,520,378	15,203,782	0.10
2009 Dec	New share issue	10,440	104,400	1,530,818.20	15,308,182	0.10
2010 Jan	New share issue	14,595	145,950	1,545,413.20	15,454,132	0.10
2010 Feb	New share issue	775	7,750	1,546,188.20	15,461,882	0.10
2010 Mar	New share issue	650	6,500	1,546,838.20	15,468,382	0.10
2010 Apr	Non-cash issue***	791,131.80	7,911,318	2,337,970	23,379,700	0.10
2010 May	New share issue	500	5,000	2,338,470	23,384,700	0.10
2010 Jun	New share issue	35	350	2,338,505	23,385,050	0.10
2010 Jul	New share issue	85	850	2,338,590	23,385,900	0.10
2010 Aug	New share issue	75	750	2,338,665	23,386,650	0.10
2011 Jan	New share issue	11,862.50	118,625	2,350,527.50	23,505,275	0.10

* New share issue on December 23, 1999, directed to OM AB.
** New share issue on February 1, 2006, directed to Cameron Systems.
*** New share issue related to the merger with Neonet.

Data per share

	2010	2009
Basic earnings per share, SEK	2.09	9.89
Diluted earnings per share, SEK	2.08	9.89
Dividend per share, SEK	7.00*	10.00
Equity per share, SEK	73.45	29.41
Share price at the end of the year, SEK	127.75	133.50
Cash flow per share, SEK	–4.13	14.16
P/E ratio, multiple	61	13
Dividend yield, %	5.5	7.5
Dividend payout ratio, %	369	102
Share price/equity, %	174	454
Average number of shares	21,248,425	15,203,242
Number of shares at year-end	23,386,650	15,308,182

* Proposed dividend.

Definitions for data per share

Average number of shares	Average number of shares after splits, bonus issues and new share issues.
Cash flow per share	Cash flow for the year divided by the average number of shares.
Dividend payout ratio	Dividend for the year divided by income after tax.
Dividend per share	Dividend for the year divided by number of shares at year-end.
Dividend yield	Dividend for the year divided by market capitalization at year-end.
Earnings per share	Income for the year divided by average number of shares.
Equity per share	Equity attributable to owners of the Parent Company at year-end divided by the number of shares at year-end.
P/E ratio	Share price divided by earnings per share.
Price/equity per share	Share price divided by equity per share.

BOARD OF DIRECTORS

PATRIK ENBLAD **Chairman of the Board**

Born in 1966. Business studies. Chairman of Orc Software since 2011. Member of the Board of Orc Software AB since 2005. Member of the Remuneration Committee. CEO of Newsec. Other board assignments: Board member of ÅF, Ångpanneföreningen AB. Shares held in Orc Software AB: 3,000. Options held in Orc Software AB: 0.

LARS GRANLÖF

Born in 1962. MSc in Economics and Business Administration. Member of the Board of Orc Software AB since 2008. Chairman of the Audit Committee. Chief Financial Officer of SAAB AB. Shares held in Orc Software AB: 1,000. Options held in Orc Software AB: 0.

STAFFAN PERSSON

Born in 1956. BSc in Business Administration, Umeå University. Member of the Board of Orc Software AB since 2010 (board member of Neonet since 1996). Other board assignments: Chairman of Bidrivals Ltd, Accelerator Nordic AB and Sveab Holding AB. Board member of Klar Invest AB, Lexington Company AB and Rite Internet Ventures AB. Shares held in Orc Software AB: 1,618,725 indirectly through companies and related parties. Options held in Orc Software AB: 100,000 stock options.

EVA REDHE RIDDERSTAD

Born in 1962. MSc in Economics and Business Administration. Member of the Board of Orc Software AB since 2008. Member of the Audit Committee. Senior Advisor Yggdrasil AB. Other board assignments: Chairman of the Foundation for the Culture of the Future, board member of Axel Christiernsson International AB, MQ AB, Redhe Financial Communications AB, Global Utmaning (Thinktank), Temaplan Asset Management AB, deputy board member of Touring Exhibitions AB and member of the Advisory Council Hand in Hand. Shares held in Orc Software AB: 1,000 (via Redhe Financial Communications AB). Options held in Orc Software AB: 0.

CARL ROSVALL

Born in 1956. MSc in Economics and Business Administration. Member of the Board of Orc Software AB since 2007. Member of the Audit Committee. Other board assignments: Board member of Itello AB. Shares held in Orc Software AB: 500,000 indirectly through part ownership in another company. Options held in Orc Software AB: 100,000 stock options indirectly through part ownership in another company.

EXECUTIVE MANAGEMENT

THOMAS BILL **Chief Executive Officer**

Born in 1965. MSc in Computer Science. Employed by Orc Software since 2006. Shares held in Orc Software AB: 500,000 indirectly through part ownership in another company. Options held in Orc Software AB: 100,000 stock options indirectly through part ownership in another company.

ANDERS BERG **Chief Financial Officer**

Born in 1962. Business studies. Employed by Orc Software since 2007. Shares held in Orc Software AB: 5,000.
Options held in Orc Software AB: 5,000.

PETER BERGSON **General Counsel and Secretary**

Born in 1965. Master of Laws. Employed by Orc Software since 2007. Shares held in Orc Software AB: 100.
Options held in Orc Software AB: 5,000.

CHRISTINE BLINKE **VP of Marketing and Investor Relations**

Born in 1965. Graduate in Communications and PR. Employed by Orc Software since 2007. Shares held in Orc Software AB: 0.
Options held in Orc Software AB: 1,500.

MATTEO CARCANO **President Orc Financial Technologies**

Born in 1960. Graduate in Physics. Employed by Orc Software since 2004. Shares held in Orc Software AB: 0.
Options held in Orc Software AB: 5,000.

JOAKIM DAHLSTEDT **Chief Technology Officer and EVP Engineering**

Born in 1974. MSc in Computer Science. Employed by Orc Software since 2008. Shares held in Orc Software AB: 0.
Options held in Orc Software AB: 7,000.

MARKUS GERDIEN **Chief Operating Officer**

Born in 1960. Studies in Computer Science. Employed by Orc Software since 2011. Shares held in Orc Software AB: 2,400. Options held in Orc Software AB: 0.

ANDERS HENRIKSSON **Chief Executive Officer CameronTec**

Born in 1972. MBA (hons.) and MSc in International Business Administration and MSc in Engineering Physics. Employed by Orc Software since 2000. Shares held in Orc Software AB: 41. Options held in Orc Software AB: 5,000.

FREDRIK LINDQVIST **President Neonet Securities**

Born in 1966. MSc in Economics. Employed by Neonet/Orc Software since 2001. Shares held in Orc Software AB: 6,250.
Options held in Orc Software AB: 0.

JOACIM WIKLANDER **Chief Strategy Officer**

Born in 1977. MSc in Engineering Physics and BSc in Business Administration and Economics. Employed by Orc Software since 2000.
Shares held in Orc Software AB: 500. Options held in Orc Software AB: 5,000.

SHAREHOLDER INFORMATION

Financial calendar

April 14, 2011	Interim report, first quarter
May 3, 2011	Annual General Meeting
July 13, 2011	Interim report, second quarter
October 13, 2011	Interim report, third quarter
January 19, 2012	Year-end report for 2011

Financial information

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All financial information is published on www.orcsoftware.com immediately following public release.

Investor relations and press

Investor Relations
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E-mail: ir@orcsoftware.com

Annual General Meeting

The Annual General Meeting will be held on Wednesday, May 3, 2011, at 4:00 p.m. CEST at Orc Software AB's office, Kungsgatan 36, 5th floor, in Stockholm, Sweden.

Participation

Shareholders wishing to attend the Annual General Meeting must be recorded in the register of shareholders maintained by Euroclear Sweden AB (formerly VPC AB) no later than April 27, 2011, and must notify the company at:
Orc Software, Annual General Meeting
P.O. Box 7832
SE-103 98 Stockholm
or by telephone +46 8 506 478 10
or via the company's website www.orcsoftware.com/Investor-Relations no later than April 27, 2011, 4:00 p.m. CEST.

Nominee shares

To be entitled to participate in the Annual General Meeting, shareholders whose shares have been registered in the name of a nominee through the trust department of a bank or a securities firm must temporarily register their shares with Euroclear Sweden AB (formerly VPC AB). Shareholders who wish to re-register their shares must notify their nominee in good time prior to April 27, 2011.

Dividend

The Board of Directors proposes a dividend of SEK 7 per share. The proposed record date for payment of dividends is May 6, 2011. Provided that the Annual General Meeting approves the proposal, the dividend will be disbursed by Euroclear Sweden AB (formerly VPC AB) on May 11, 2011.

Nominating Committee

The Nominating Committee consists of Chairman Anders Rydin (SEB Investment Management), Patrik Enblad (Chairman of Orc Software AB), Frank Larsson (Handelsbanken Fonder), Staffan Persson (Zimbrine Holding BV) and Kerstin Stenberg (Swedbank Robur Fonder).

Orc Software, Nominating Committee
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E-mail: valberedning@orcsoftware.com

N.B: The English text is a translation of the Swedish text. In case of discrepancy between the Swedish and the English text the Swedish version shall prevail.

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