YEAR-END REPORT
JANUARY 1 – DECEMBER 31 2010

THE BOARD PROPOSES A DIVIDEND OF SEK 7 PER SHARE

– Continued strong sales in the fourth quarter

The annualized contract value rose by SEK 7m, excluding exchange rate effects, compared to the third quarter of 2010.

The Board has decided to propose to the AGM a dividend of SEK 7 (10) per share, which is equal to a total dividend of SEK 163.7m (154.7).

- **THE ANNUALIZED CONTRACT VALUE (ACV)** AT THE END OF Q4 2010 WAS SEK 686.4M (652.3), AN INCREASE OF SEK 34.1M, OR 5%, COMPARED TO Q4 2009.
- **THE TRANSACTION NET** WAS SEK 30.1M (-) AND THE **TRANSACTION MARGIN** WAS 39% (-) FOR Q4 2010.

OCTOBER – DECEMBER 2010

- Operating revenue of SEK 268.1m (180.3)
- Revenue growth of 49%
- Operating income of SEK 20.3m (60.9)
- Operating margin of 8% (34)
- Income after tax of SEK 18.8m (46.6)
- Basic earnings per share of SEK 0.80 (3.07)

JANUARY – DECEMBER 2010

- Operating revenue of SEK 976.7m (704.9)
- Revenue growth of 39%
- Operating income of SEK 75.0m (207.5)
- Operating margin of 8% (29)
- Income after tax of SEK 44.3m (150.4)
- Basic earnings per share of SEK 2.09 (9.89)

The Neonet Group is consolidated as of April 1, 2010. The actual transaction date was April 7 (see pages 3 and 7).

CEO THOMAS BILL COMMENTS:

The year ended with continued robust sales and a falling rate of churn in the Technology segment. Orc's sales have remained solid as a result of our competitive solutions, strong organization and very solid finances despite the fact that technology providers have been impacted by the strained situation that has prevailed since the start of the global financial crisis.

It is also satisfying that our other technology operations in CameronTec have continued to develop favorably, which we see as proof that we made the right decision in transferring these operations to a separate unit.

For our Transaction Services, the fourth quarter was somewhat better than the third thanks to higher trading volumes in October and November and a rising transaction margin, which is a result of our increased focus on customer profitability. However, volumes on the stock markets where our customers trade remain very low.

The gradual rise of the Swedish krona against the US dollar and the euro has had an inhibiting effect on both growth and earnings.

I feel optimistic about Orc's outlook for 2011 in view of our business model with recurring license revenue in the Technology segment, competitive solutions, sustained focus on profitability in Transaction Services and strong organization. I am also confident that we are on the way to meet our target for 2012 to realize synergy effects of SEK 130m from the merger between Orc and Neonet and achieve an anticipated minimum operating margin of around 20% in a weak market and of 35% or more in favorable conditions.

TECHNOLOGY

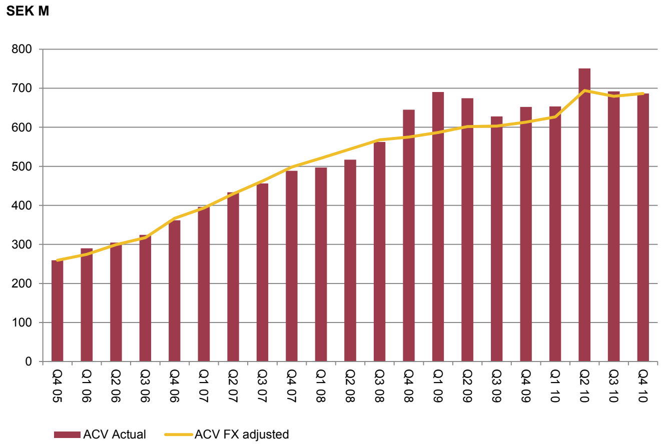
The Technology segment consist of the Group's activities in advanced trading solutions and infrastructure for the global financial industry.

These operations are conducted under the Orc and CameronTec brands. Following the merger with Neonet, the Neonet-XG solutions are marketed under the Orc brand name Orc Access.

ANNUALIZED CONTRACT VALUE (ACV)

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

New contracts are included from the date on which billing is expected to being and cancelled contracts are included until the date on which the contract expires.



ACV fell by SEK 5.7m compared to the end of the previous quarter, mainly due to weakening of the US dollar and the euro against the Swedish krona.

Calculated at the exchange rate prevailing in December 2009, ACV rose by SEK 85.1m, or 13%, compared to Q4 2009 and by SEK 7.3m, or 1%, compared to the previous quarter.

GEOGRAPHICAL BREAKDOWN OF ACV

SEK M	31 Dec 2010	30 Sept 2010	31 Dec 2009	Change Q-over-Q		Change Y-over-Y	
EMEA	403.4	403.7	366.8	-0.3	-0.1%	36.6	10.0%
Americas	135.7	138.2	145.7	-2.5	-1.8%	-10.0	-6.8%
APAC	147.3	150.2	139.8	-2.9	-1.9%	7.5	5.4%
Total	**686.4**	**692.1**	**652.3**	**-5.7**	**-0.8%**	**34.1**	**5.2%**

Sales were good in all regions, with the EMEA region accounting for more than half of new and add-on sales during the quarter. Total churn was significantly lower than in the previous quarter and somewhat above the average for 2009. Close to half of churn is attributable to the EMEA region, followed by the Americas and APAC. The drop in ACV during the quarter is explained by weakening of the US dollar and the euro against the Swedish krona.

The change in ACV compared to Q4 2009 is mainly due to the contracts acquired from Neonet, which are included in ACV as of Q2 2010 and amounted to SEK 52.1m on the merger date. All regions have been negatively affected by the period's strengthening of the krona, particularly against the euro but also against the US dollar. The greatest impact was seen in the EMEA region, where the majority of customer contracts are signed in euros.

MARKET DEVELOPMENT IN THE QUARTER

Despite low volumes on the global stock markets and profitability problems for many financial firms, Orc's sales have remained solid.

The trends in the respective regions are essentially unchanged compared to the previous quarter.

It is positive that churn has decreased sharply compared to the previous quarter and is on par with the average for 2009.

CameronTec continued to show robust development and signed several major contracts during the quarter.

In the **EMEA** region (Europe, Middle East and Africa), Orc continued to enjoy generally positive development during Q4, although the sales cycle remains considerably longer than in 2009.

The Nordic countries and Central Europe stand out as the strongest sub-markets with a number of sizeable contracts. In the UK Orc is experiencing a persistent soft market, mainly as a result of the economic situation and a subsequent increase in price-based competition in certain segments.

In several new markets in the EMEA region, Orc noted a growing interest during Q4. These markets include Poland and the Middle East, where new business is being developed in cooperation with local partners.

A few strategically important deals during the quarter included additional cross sales and add-on sales to existing Orc Hosted installations.

During Q4 Orc benefited from positive trends for ETFs (Exchange Traded Funds), as well as structured products and volatility trading. The weaker market segments include market making for equity and index options and arbitrage trading.

Orc's sales showed solid development in the **Americas** region, although these markets are still characterized by far-reaching uncertainty and low trading volumes.

Following an extended period of weak demand in market making, a growing interest is being noted, which is positive for Orc. In the market segment for FCMs (Futures Commission Merchants), Orc is also seeing continued favorable development in North America with a number of important contracts during the quarter and good prospects for additional growth. As earlier, solutions based on Orc Liquidator account for the bulk of sales.

In Brazil, Orc has continued its efforts to create a presence in the market and has developed connectivity to the leading trading venue BM&F Bovespa.

In the financial markets of the **APAC** region (Asia-Pacific), the level of activity remains relatively high.

One key contract during Q4 was an order from Nyenburgh in Singapore, which has chosen the new product Orc Spreader for its Asian operations. Demand from banks is rising steadily and several global banks have strengthened their presence in the region and purchased trading solutions from Orc. A milestone was reached in Q4 when Orc won its first customer in Thailand.

Sustained high activity in the region's financial markets is leading to greater demands on performance. As a result, Orc is continuing to devote considerable resources to development in this area.

There is a clear interest from customers in the service-based offering Orc Hosted, which vouches well for the upcoming launch in the region.

CameronTec showed stable positive development in the fourth quarter. All regions have reported continued good sales.

Among the major global and regional brokerage firms, CameronTec is noting a trend in which the customers are increasingly investing in FIX solutions to create an infrastructure with high capacity and low latency adapted to their own operations. This trend is enabling CameronTec and the company's FIX technology to steadily strengthen their market position, above all for the new product Catalys.

One interesting development that is being seen in many emerging markets is that investments in FIX technology are regarded as strategically important, which is visible in a powerful interest in FIX from countries like Mexico, Brazil, Central Europe and India.

TRANSACTION SERVICES

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

These operations are conducted under the Neonet brand and do not involve any proprietary trading, analytics or financing activities.

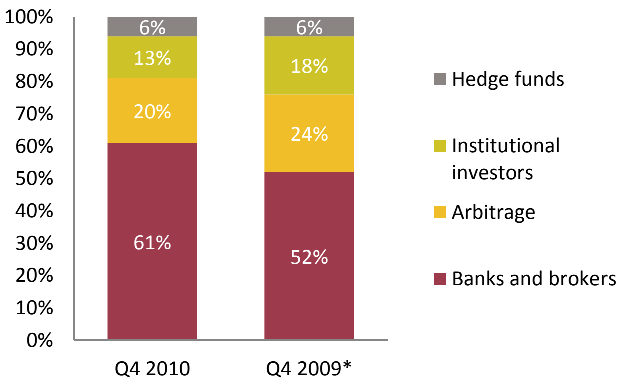
MARKET DEVELOPMENT IN THE QUARTER

Activity in the financial markets where Orc's customers in Transaction Services operate increased somewhat compared to the Q3 but nonetheless remains low.

Sales activities have started to generate positive effects, not least in the UK and the American markets. The largest new customers won during the quarter include a leading Canadian bank. Renegotiated contracts with existing customers made a significant contribution to the improvement in transaction net.

The comprehensive restructuring of business processes, goals and strategies in Transaction Services is still underway and a new middle office organization is now in place. Ongoing efforts are being made to tie together the Neonet services with Orc's technology and solutions from both a business and technology perspective.

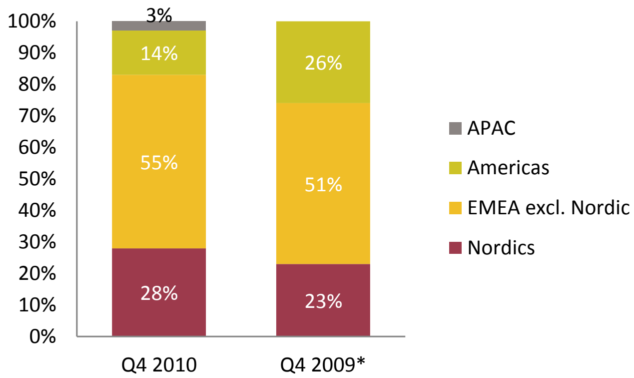
TRANSACTION REVENUE BY CUSTOMER GROUP



*) Note that the comparative figures for Q4 2009 refer to information obtained from Neonet's quarterly report. Neonet is consolidated in Orc's financial statements as of April 1, 2010.

The distribution between customer groups in relation to transaction revenue indicates that the group consisting of banks and brokerage firms has contin-ued to grow, while both Arbitrage customers and institutional investors are declining. This is mainly due to an increase in revenue from existing banks and brokers.

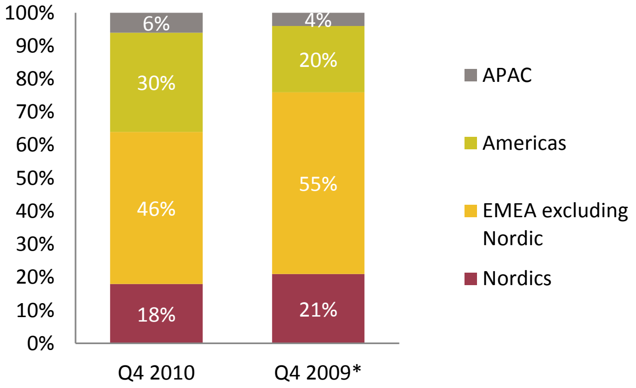
GEOGRAPHIC BREAKDOWN OF TRANSACTION REVENUE



*) Note that the comparative figures for Q4 2009 refer to information obtained from Neonet's quarterly report. Neonet is consolidated in Orc's financial statements as of April 1, 2010.

Transaction Services has customers in 25 countries. The percentage of revenue generated by customers in the Americas has declined in favor of Nordic and European customers.

TRANSACTION REVENUE BY MARKET PLACE



*) Note that the comparative figures for Q4 2009 refer to information obtained from Neonet's quarterly report. Neonet is consolidated in Orc's financial statements as of April 1, 2010.

TRANSACTION NET AND MARGIN

	Q4 2010	Q3 2010	Q4 2009*
Transaction net, SEK M	30.1	23.4	40.3
Transaction margin, %	39	36	38

*) Note that the comparative figures for Q4 2009 refer to information obtained from Neonet's quarterly report. Neonet is consolidated in Orc's financial statements as of April 1, 2010.

The transaction net is defined as transaction revenue less transaction expenses.

The transaction margin is defined as the transaction net as a percentage of transaction revenue.

The transaction net decreased by 25% compared to the same quarter of last year, but rose by 29% compared to the previous quarter. The increase in the transaction net compared to Q3 is due to a combination of higher turnover on exchanges and an improved level of brokerage fees.

Compared to the same quarter of last year, the margin has strengthened somewhat. The change in the transaction margin is partly due to the fact that brokerage fees have risen and partly that transaction expenses have fallen at a somewhat higher rate than transaction revenue. The decrease in transaction expenses are explained by reduced fees and renegotiations with stock exchanges and other market players, as well as a higher share of trades through MTFs.

MERGER WITH NEONET

The process of integrating the two companies and creating a leading global player in financial technology and services has now been completed. As a result of the decisions made in the second quarter, the management can confirm that Orc will realize cost synergies of SEK 40m per year. These synergies had a continued impact during Q4 and will reach full effect starting in 2011.

In the fourth quarter Orc closed additional new deals that were made possible by the merger between Orc and Neonet. A number of negotiations are also in progress with customers for combined services and solutions. In view of this, the management feels confident that the total synergy effects of SEK 130m will be achieved during 2012 at the rate stated when the merger was originally announced.

During the period from January to December 2010, Orc recognized total non-recurring costs of SEK 70.5m related to the merger with Neonet, which is somewhat higher than the anticipated total of SEK 70.0m. Of these non-recurring costs, an amount of SEK 12.5m was recognized in the Neonet Group during Q1 and is consequently not included in the figures for the Orc Group. In Orc's consolidated accounts, SEK 58.0m was expensed in the period from January to December 2010, of which SEK 13.0m during Q4.

Orc holds 98.3% of the shares in Neonet and has called for compulsory redemption of the remaining shares. The last day of trading in Neonet shares on NASDAQ OMX Stockholm was June 7, 2010.

Reported in the same manner as before the merger, the Neonet Group's sales and earnings were as follows:

SEK M	Q4 2010	Q4 2009*	Change	
Operating revenue	95	121	-26	-21%
Transaction net	30	40	-10	-25%
Operating income	-12	1	-13	-
- of which, non-recurring costs	-8	-	-8	n/a

*) Note that the comparative figures for Q4 2009 refer to information obtained from Neonet's quarterly report. Neonet is consolidated in Orc's financial statement as of April 1, 2010.

SEK M	Jan-Dec 2010*	Jan-Dec 2009*	Change	
Operating revenue	390	508	-118	-23%
Transaction net	120	156	-36	-23%
Operating income	-62	-26	-36	-138%
- of which, non-recurring costs	-34	-	-34	n/a

*) Note that the comparative figures for January to March 2010 and January to December 2009 refer to information obtained from Neonet's quarterly report. Neonet is consolidated in Orc's financial statement as of April 1, 2010.

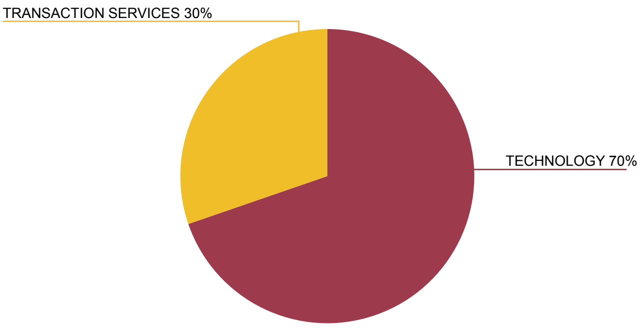
OPERATING REVENUE

SEK thousands	Q4 2010	Q4 2009	Change	
Technology	186,897	180,327	6,570	4%
Transaction Services	81,165	-	81,165	n/a
Total	**268,062**	**180,327**	**87,735**	**49%**

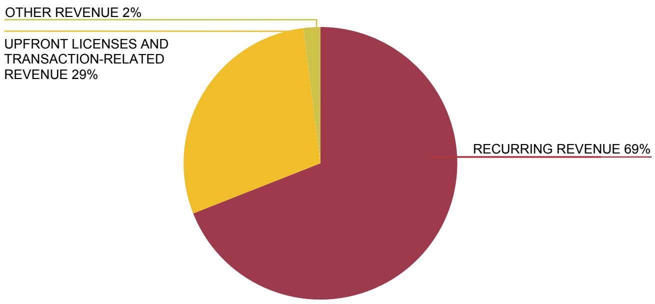
SEK thousands	Jan-Dec 2010	Jan-Dec 2009	Change	
Technology	733,912	704,862	29,050	4%
Transaction Services	242,762	-	242,762	n/a
Total	**976,674**	**704,862**	**271,812**	**39%**

Sales were up by 49% during Q4 and by 39% for the period from January to December 2010 compared to the same periods of last year. Adjusted for the consolidation of the Neonet Group, sales were down by 4% during Q4 and by 2% for the period from January to December 2010 compared to the same periods of last year, mainly due to strengthening of the krona against the US dollar and the euro between billing periods

BREAKDOWN OF OPERATING INCOME BY SEGMENT Q4 2010



BREAKDOWN OF OPERATING INCOME BY TYPE Q4 2010



Recurring revenue accounted for 69% (97) of operating income in Q4 2010. The share of recurring revenue has fallen as a result of the transaction revenue added through the merger with Neonet in Q2 2010.

Recurring revenue in the Technology segment accounted for 99% (97) of operating income.

OPERATING EXPENSES

SEK thousands	Q4 2010	Q4 2009	Change	
Technology	-39,466	-38,642	-824	2%
Transaction Services	-88,759	-	-88,759	n/a
Group-wide	-119,500	-80,833	-38,667	48%
Total	**-247,725**	**-119,475**	**-128,250**	**107%**

SEK thousands	Jan-Dec 2010	Jan-Dec 2009	Change	
Technology	-136,162	-120,852	-15,310	13%
Transaction Services	-254,892	-	-254,892	n/a
Group-wide	-510,604	-376,556	-134,048	36%
Total	**-901,658**	**-497,408**	**-404,250**	**81%**

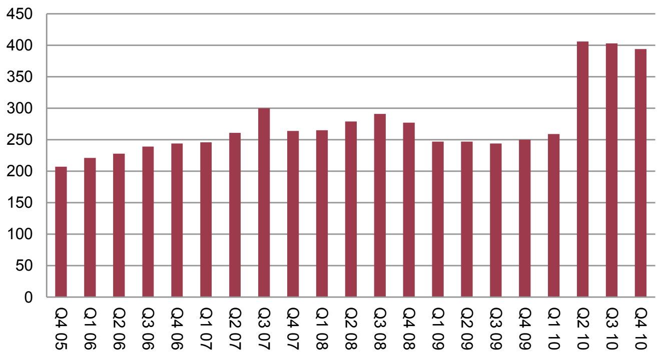
Operating expenses increased by SEK 128.3m in Q4 and by SEK 404.3m for the period from January to December 2010 compared to the same periods of last year, mainly due to consolidation of the Neonet Group.

The increase of SEK 128.3m includes costs from the Neonet Group and amortization of intangible assets arising from the merger with Neonet. The items with the greatest impact were transaction costs of SEK -47.1m, external expenses of SEK -41.8m, personnel expenses of SEK -29.9m, work performed by the company for its own use and capitalized of SEK +16.8m and amortization/depreciation of SEK -21.2m. Non-recurring costs related to the merger totaled SEK 13.0m in Q4.

Aside from costs attributable to the Neonet Group and amortization of intangible assets, the increase in operating expenses for the period from January to December consisted mainly of non-recurring costs related to the merger with Neonet and personnel expenses resulting from a higher number of employees. The total non-recurring costs related to the merger with Neonet amounted to SEK 58.0m for the period from January to December.

In addition to the increase arising from consolidation of the Neonet Group, work performed by the company for its own use and capitalized rose by SEK 11.2m for Q4 and by SEK 30.2m for the period from January to December, compared to the same periods of last year, as a consequence of higher investment in development of new products. Capitalization in 2011 is expected to remain at the same level as in 2010.

NUMBER OF EMPLOYEES



The number of employees at December 31, 2010, was 394, which is a decrease of 9 people compared to September 30, 2010. Following the merger with Neonet, the number of employees rose by 134 people, which explains the increase as of Q2 2010.

EARNINGS

SEK thousands	Q4 2010	Q4 2009	Change	
Transaction margin	39%	-	n/a	n/a
Operating income	20,337	60,852	-40,515	-67%
Operating margin	8%	34%	n/a	n/a
Income for the period	18,803	46,648	-27,845	-60%

SEK thousands	Jan-Dec 2010	Jan-Dec 2009	Change	
Transaction margin	37%	-	n/a	n/a
Operating income	75,016	207,454	-132,438	-64%
Operating margin	8%	29%	n/a	n/a
Income for the period	44,349	150,369	-106,020	-71%

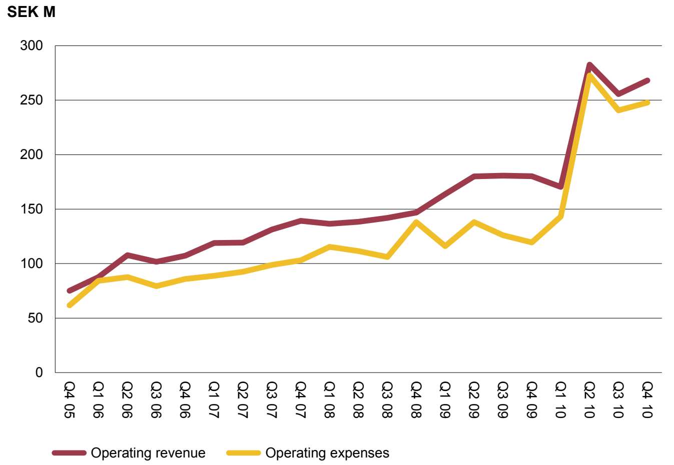
Consolidation of the Neonet Group had an impact of SEK -22.9m on operating income for Q4 and SEK -76.5m for the period from January to December. These amounts include revenue and expenses from the Neonet Group and amortization of intangible assets arising through the merger with Neonet. The amounts also include non-recurring costs related to the merger of SEK 7.5m for Q4 and SEK 21.4m for the period from January to December.

Additional non-recurring costs attributable to the merger have been recognized in the Group, which had an impact of SEK -5.4m on operating income for Q4 and SEK -36.6m for the period from January to December.

Adjusted for consolidation of the Neonet Group and non-recurring costs, operating income was down by SEK 12.3m for Q4 and SEK 19.4m for the period from January to December compared to the same periods of last year. This is mainly due to strengthening of the krona against the US dollar and euro (see exchange rate table in section on foreign exchange effects).

Net financial items decreased by SEK 1.4m for the period from January to December compared to the same period of last year. For Q4, net financial items fell by SEK 0.1m compared to the same quarter of last year.

DEVELOPMENT OF OPERATING REVENUE AND EXPENSES



The increase in both operating revenue and expenses for Q2 2010 is attributable to the merger with Neonet.

The decrease in operating revenue for Q3 2010 is due to strengthening of the krona against the US dollar and euro and lower transaction revenue. The increase in operating revenue and expenses for Q4 2010 is mainly a result of higher sales in Transaction Services and non-recurring costs attributable to the merger between Orc and Neonet.

FOREIGN EXCHANGE EFFECTS

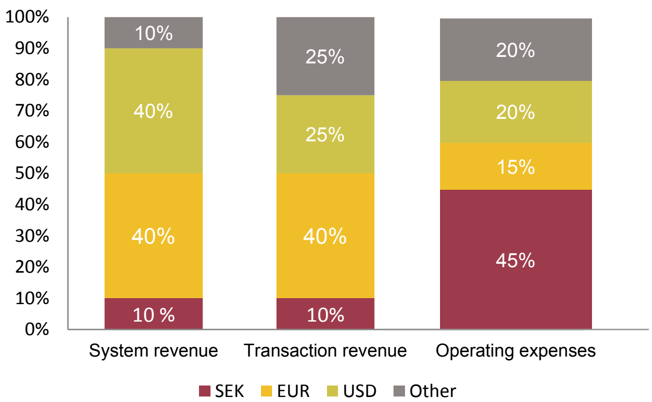
Movements in foreign exchange effects affect Orc in several different ways.

Assets and liabilities in foreign currency are revalued at every balance sheet date. Furthermore, certain balance sheet items in foreign currency are revalued on an ongoing basis, for example when a trade receivable is settled. Value gains/losses arising from revaluation of balance sheet items related to operations (mainly trade receivables) are recognized net as a separate item in the income statement, and in Q4 2010 gave rise to a gain of SEK 0.9m (5.3). Orc's policy is not to hedge operating cash flows in foreign currency on a continuous basis. As an independent company Neonet previously had another policy, but adopted Orc's policy as of Q2 and had not hedged any operating cash flows in foreign currency at December 31.

Revaluation differences in other balance sheet items in foreign currency, such as short-term investments, are recognized in net financial items.

Operating income and expenses are also affected by movements in foreign exchange rates, which have a direct impact on both the revenue or expense item.

CURRENCY COMPOSITION OF OPERATING REVENUE AND EXPENSES



EXCHANGE RATE TABLE

Exchange rates	USD	EUR
System revenue Q4 2009*	7.6996	10.8373
System revenue Q4 2010*	7.4468	9.4989
System revenue Q1 2011*	6.6756	9.2717
Expenses Q4 2010 (average for Jan-Dec)	7.2049	9.5413
Balance sheet items Q4 2010 (final at Dec 31)	6.8025	9.002
ACV Q4 2010 (average for Dec)	6.8583	9.0664

* Refers to the billing exchange rate for approximately 85% of system revenue for the quarter, i.e. from customers that are billed quarterly in advance under existing contracts.
Source: Sveriges Riksbank (Sweden's central bank)

CASH FLOW, INVESTMENTS AND FINANCIAL POSITION

Transaction Services, which are now included in the Orc Group, have greater variations in the balance sheet than Orc's previous operations depending on the size of equity transactions that were not fully settled at the closing date.

Transaction Services also invest cash and cash equivalents in long-term investments that are classified as "other non-current assets" in the consolidated balance sheet, and not as cash and cash equivalents, since these have a maturity of more than three months.

Cash flow for Q4 2010 was SEK 35.8m (93.8). The decrease in cash flow compared to the same period of 2009 is mainly due to lower income, an increase in working capital tied up in connection with the merger with Neonet and higher investments in intangible assets.

Cash flow for the period from January to December 2010 was SEK -87.7m (215.2). The decrease in cash flow compared to the same period of 2009 is mainly explained by lower income, increased investments in intangible assets and a higher dividend. Of the period's cash flow from investing activities of SEK -119.9m (-11.6), SEK -50.5m (-4.3) refers to capitalized development costs. The largest item consists of investments in subsidiaries totaling SEK 138.7m (-), which refer to cash and cash equivalents in Neonet on the acquisition date less the cash portion at the time of the acquisition.

Orc owns 98.3% of Neonet but includes 100% of Neonet in cash flow. The remaining 1.7% of the votes and capital outstanding are regarded as a liability until the compulsory redemption has been completed.

Orc is currently pursuing a cautious investment strategy and invests its cash and cash equivalents in either treasury bills, bank accounts, certificates of deposit or similar. In Transaction Services, there are assets in custody and bank accounts that have been pledged on behalf of the banks that have been engaged to handle settlement and which represent Transaction Services in dealing with the clearing institutes. The pledged assets do not restrict the right of disposition of the reported cash and cash equivalents. Such pledged assets amounted to SEK 224.7m (-) at the end of the period.

Of the Group's non-current liabilities of SEK 158.8m (53.3), SEK 157,8m (52.1) consists of deferred tax.

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

DEVELOPMENT COSTS

In 2010 Orc had total development costs of 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 higher investments in the development of new products.

Compared to the previous year, work performed for the company's own use and capitalized rose by SEK 30.2m for the period from January to December, in addition to the increase arising from consolidation of the Neonet Group.

PARENT COMPANY

Sales in the Parent Company, Orc Software AB, for the period from January to December amounted to SEK 653.0m (720.0), of which SEK 0.5m (12.8) consisted of sales to group companies. The decrease is partly attributable to the transfer of CameronTec business to a separate subsidiary and partly to currency effects. Since Orc's customer contracts for system revenue are mainly entered into with the Parent Company, this revenue refers almost exclusively to the same. As a result, the comments on the Group's system revenue also apply to the Parent Company in all essential respects.

Operating income totaled SEK 140.0m (202.2) and income after tax was SEK 81.3m (147.4). The acquisition costs of SEK 26.9m for Neonet do not affect the Parent Company's costs since these are recognized in the balance sheet in accordance with RFR 2.3, Accounting for Legal Entities, as part of the historical cost of shares in subsidiaries.

Investments in tangible and intangible assets for the period from January to December amounted to SEK 39.1m (8.6). The Parent Company's cash and cash equivalents at December 10, 2010, totaled SEK 91.5m (252.8). Non-restricted equity in the Parent Company on the same date was SEK 1,578.6m (268.6).

The Parent Company has no significant transactions with related parties, other than transactions with group companies. All transactions with related parties are carried out on market-based terms.

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

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 Solutions, 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 around 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 effects 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.

ACQUISITION OF NEONET AB

On April 7, 2010, Orc Software AB acquired 96.6% of the votes and capital in the Swedish listed 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 held in Neonet, corresponding to 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 cash compensation of SEK 19.625 per share. After the acceptance period was extended to April 21, 2010, an additional 1.7% of Neonet's shareholders accepted the offer, giving Orc a total of 98.3% of the votes and 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 broker and technology provider that offers sophisticated brokerage services and effective system solutions for securities trading on the world's leading market places. Neonet's customers include banks, brokerage firms, institutional investors, hedge funds and trading venues in over 20 countries.

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

At December 31, 2010, Neonet had contributed revenue of SEK 284.0m and income of SEK -42.8m since the acquisition date, which is reflected in Orc's consolidated accounts. If the acquisition had taken place at January 1, 2010, Neonet would have contributed revenue of SEK 390.0m and income of SEK -62.0m.

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

SEK M	Carrying amounts	Fair value adjustment	Fair values
Purchase price			
- Purchase price paid in cash to Neonet's shareholders	13	-	13
- Value of newly issued shares to Neonet's shareholders (total of 7,911,318 new Orc shares)	1,376	-	1,376
- Preliminary cost for compulsory redemption of remaining Neonet shares	24	-	24
Total historical cost	**1,413**	**-**	**1,413**
Intangible assets, excl. goodwill	-53	-	-53
Tangible assets	-18	-	-18
Financial assets	-142	11	-131
Trade receivables	-5	-	-5
Other current receivables	-104	7	-97
Cash and cash equivalents	-152	-	-152
Other current liabilities	272	-	272
Value of acquired net assets	**-202**	**18**	**-184**
Identified intangible assets	**-**	**-464**	**-464**
Deferred tax liability on identified intangible assets	**-**	**122**	**122**
Balancing item/Goodwill	**1,211**	**-324**	**887**

The above historical cost refers to 100% of Neonet, although the compulsory redemption procedure has not yet been completed. A preliminary value for this has been estimated.

When redeemed, the remaining 1.7% of Neonet's shares, for which Orc has initiated compulsory redemption, will affect the total historical cost and goodwill. Assets and liabilities are recognized at 100%. Since the acquisition is not yet 100% completed, the figures are preliminary. However, no significant changes are expected other that those noted above.

Identified intangible assets consist of customer relationships (SEK 325m). trademarks (SEK 50m), technology (SEK 47m), customer contracts (SEK 27m) and memberships in stock exchanges, MTFs and Dark pools (SEK 15m).

Goodwill is attributable among other things to expected future synergies arising from the merger between Orc and Neonet and intangible assets that do not meet the criteria for separate reporting. Within the framework of the preliminary purchase price allocation (PPA), acquired net assets have been revalued and intangible assets reallocated in connection with the year-end accounts, which has increased goodwill by a total of SEK 18m.

Acquisition-related expenses recognized as costs amount to SEK 13.0m for Q4 2010 and to SEK 58.0m for the period from January to December 2010, and have impacted the Group's external expenses and personnel expenses in comprehensive income.

ACCOUNTING POLICIES

This year-end report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is in compliance with Swedish law through the application of the Swedish Financial Reporting Board's recommendations RFR 1.3, Supplementary Rules for Consolidated Financial Statements, and RFR 2.3, Accounting for Legal Entities, in the Parent Company. For both the Group and the Parent Company, the accounting policies are the same as those applied in the latest annual report unless otherwise stated below.

NEW AND REVISED ACCOUNTING POLICIES IN 2010

IFRS 3R, Business Combinations, and IAS 27R, Consolidated and Separate Financial Statements, are mandatory for annual periods beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in accounting for business combinations carried out after this date, which have affected and will continue to affect the amounts of recognized goodwill, recognized income for the period in which the acquisition is carried out and future recognized income.

IAS 27R requires that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control be accounted for as equity transactions, which is consistent with the way in which Orc has previously handled transactions of this type.

The revisions in IFRS 3R and IAS 27R have affected and will continue to affect accounting for acquisitions, loss of control and transactions with non-controlling interests.

IFRS 8 Operating Segments

After the merger with Neonet, Orc has changed its internal reporting and the way in which the chief operating decision-maker evaluates operating income from having monitored results at the regional level to monitoring by business area. The identified segments are now Technology and Transaction Services. Technology consists mainly of system revenue and expenses related to system sales, such as personnel expenses for sales staff, etc. Transaction Services include variable revenue and expenses that are directly attributable to equity transactions and costs for departments that are closely associated with execution and settlement of transactions. Other parts of the Group are regarded as group-wide. Comparative figures from the preceding year have been restated according to the same principle.

IFRS ANNUAL IMPROVEMENTS PROJECT

IAS 7 – Statement of Cash Flows. Clarifies that only expenditures resulting in recognition of an asset may be reported as cash flow from investing activities.

IAS 16 – Property, Plant and Equipment. Replaces the term "net selling value" 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 flows are used to estimate "fair value less costs to sell", additional disclosures about the discount interest rate must be provided, similar to the disclosures required when discounted cash flows are used to estimate value in use. These disclosures are provided when applicable.

Other new or revised IFRSs and IFRIC interpretations have not had any impact on the financial position or result of the Group or the Parent Company.

SIGNIFICANT ACCOUNTING POLICIES

Below is a brief description of how the accounting policies are applied to a few key items in Orc's income statement and balance sheet. For more detailed information about Orc's significant accounting policies, see the most recently published annual report. The acquisition of Neonet has not led to any significant adjustments in Neonet's reported values in connection with inclusion in Orc's consolidated accounts.

System revenue

Revenue is generated mainly through the sale of software licenses, which are billed quarterly in advance. Revenue is then recognized over the quarter to which the billing refers, but at the exchange rates prevailing on the billing date.

New customers are not billed until Orc has received a signed contract and the customer has performed an acceptance test and approved the software.

Transaction revenue and expenses

Transaction revenue and expenses are recognized on the same date as the completion of the underlying transactions, i.e. on the settlement date.

Goodwill

Because the useful life of goodwill is indefinite, the carrying amount of goodwill should be tested for impairment as least annually. Orc determines the value of goodwill based on forecasted future cash flows in the company's cash-generating units over the next five years. The value of goodwill is tested annually.

Capitalized development cost

Orc capitalizes only costs attributable to projects that can be separately identified, result in either new products or significant improvement in existing products and can be expected to generate future economic benefit. Capitalized projects are amortized on a straight-line basis over their useful life from the date on which the asset is ready to use.

Intangible assets

Orc's intangible assets other than goodwill or capitalized development costs are amortized over a period of 3–15 years depending on the nature and estimated useful life of the asset. Orc performs regular controls when there is an indication that the value of an asset has declined in order to ensure that the amortization period for the asset corresponds to its estimated useful life and that there is no need for impairment.

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 solution 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 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.

For a more detailed description of Orc's assessed risk and uncertainty factors, see the Directors' Report in Orc's annual report for 2009.

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 management identifies, monitors and manages these risks is a central part of the company's operations. A more detailed description of the Group's risk exposure and risk management is provided in Note 1 of Neonet's annual report for 2009.

CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK THOUSANDS	JAN-DEC 2010	JAN-DEC 2009	OCT-DEC 2010	OCT-DEC 2009
System revenue	726,382	696,319	185,869	178,518
Transaction revenue	232,630	-	77,212	-
Other revenue	17,662	8,543	4,981	1,809
Operating revenue	976,674	704,862	268,062	180,327
Cost of goods sold	-32,294	-39,091	-8,252	-7,596
Transaction expenses	-147,408	-	-47,097	-
External expenses	-274,327	-136,751	-78,967	-37,147
Personnel expenses	-402,069	-291,420	-106,225	-76,327
Work performed by the company for its own use and capitalized	50,461	4,302	17,751	991
Depreciation/amortization and impairment losses	-81,377	-21,199	-25,844	-4,635
Foreign exchange differences	-14,644	-13,249	909	5,284
Operating expenses	-901,658	-497,408	-247,725	-119,475
Operating income	75,016	207,454	20,337	60,852
Net financial items	-528	872	-308	-197
Income after financial items	74,488	208,326	20,029	60,655
Income tax expense	-30,139	-57,957	-1,226	-14,007
Income for the period	**44,349**	**150,369**	**18,803**	**46,648**
Translation differences	-6,515	1,501	-488	3,472
Other comprehensive income	-6,515	1,501	-488	3,472
Comprehensive income for the period	**37,834**	**151,870**	**18,315**	**50,120**
Income for the period attributable to owners of the Parent Company	44,349	150,369	18,803	46,648
Comprehensive income for the period attributable to owners of the Parent Company	37,834	151,870	18,315	50,120
Basic earnings per share for the period, SEK	2.09	9.89	0.80	3.07
Diluted earnings per share for the period, SEK	2.08	9.89	0.80	3.07

CONSOLIDATED BALANCE SHEET

SEK THOUSANDS	DEC 31 2010	DEC 31 2009
ASSETS		
Goodwill	1,055,003	167,539
Other intangible assets	599,244	90,889
Other non-current assets	223,176	37,224
Current financial assets attributable to Transaction Services	16,973	-
Other current receivables	175,423	144,811
Cash and cash equivalents	226,315	314,953
Total assets	2,296,134	755,416
EQUITY AND LIABILITIES		
Equity	1,717,685	450,180
Non-current liabilities	158,783	53,329
Current financial liabilities attributable to Transaction Services	34,419	-
Other current liabilities	385,247	251,907
Total equity and liabilities	2,296,134	755,416

A detailed presentation of the income statement and balance sheets for the past few quarters is available at www.orcsoftware.com

CONSOLIDATED STATEMENT OF EQUITY

SEK THOUSANDS	JAN-DEC 2010	JAN-DEC 2009	OCT-DEC 2010	OCT-DEC 2009
Opening balance	450,180	331,829	1,699,370	374,161
Income for the period	44,349	150,369	18,803	46,648
Other comprehensive income	-6,515	1,501	-488	3,472
New share issue attributable to the employees' exercise of stock options	7,652	26,269	-	25,618
New share issue attributable to acquisition of company	1,376,569	-	-	-
Dividend	-154,684	-60,809	-	-
Change due to employee stock options	134	1,021	-	281
Closing balance	1,717,685	450,180	1,717,685	450,180
Equity attributable to owners of the Parent Company	1,717,685	450,180	1,717,685	450,180

CONSOLIDATED CASH FLOW STATEMENT

SEK THOUSANDS	JAN-DEC 2010	JAN-DEC 2009
Cash flow from operating activities before changes in working capital	127,201	211,837
Changes in working capital	-86,689	49,538
Cash flow from operating activities	40,512	261,375
Investments in operations	138,732	-
Cash flow from investing activities	-119,945	-11,610
Cash flow from financing activities	-147,032	-34,540
Cash flow for the period	-87,733	215,225
Cash and cash equivalents at beginning of period	314,953	103,788
Exchange differences in cash and cash equivalents	-905	-4,060
Cash and cash equivalents at end of period	226,315	314,953

SEGMENT REPORTING

JANUARY-DECEMBER 2010

SEK THOUSANDS	Technology	Transactions	Group-wide	Total
Operating revenue*	733,912	242,762	-	976,674
Operating expenses	-136,162	-254,892	-510,604	-901,658
Operating income	597,750	-12,130	-510,604	75,016
Net financial items	-	-	-528	-528
Income after financial items	597,750	-12,130	-511,132	74,488

JANUARY-DECEMBER 2009

SEK THOUSANDS	Technology	Transactions	Group-wide	Total
Operating revenue*	704,862	-	-	704,862
Operating expenses	-120,852	-	-376,556	-497,408
Operating income	584,010	-	-376,556	207,454
Net financial items	-	-	872	872
Income after financial items	584,010	-	-375,684	208,326

* All revenue is from external customers.

See section on accounting policies for a description of each segment.

CONSOLIDATED KEY RATIOS

	JAN-DEC 2010	JAN-DEC 2009	OCT-DEC 2010	OCT-DEC 2009
Sales growth	38.6%	24.9%	48.7%	22.8%
Transaction margin	36.6%	-	39.0%	-
Operating margin	7.7%	29.4%	7.6%	33.7%
Average number of share, basic, thousands	21,248	15,203	23,387	15,256
Average number of share, diluted, thousands	21,271	15,203	23,387	15,275
Number of shares outstanding, thousands	23,387	15,308	23,387	15,308
Equity per share, SEK	73.45	29.41	73.45	29.41
Return on capital employed	7.0%	53.3%	4.7%	58.9%
Return on equity	4.1%	38.5%	4.4%	45.3%
Equity/asset ratio	74.8%	59.6%	74.8%	59.6%
Average number of employees	342	247	398	247
Number of employees at end of period	394	250	394	250

PARENT COMPANY INCOME STATEMENT

SEK THOUSANDS	JAN-DEC 2010	JAN-DEC 2009	OCT-DEC 2010	OCT-DEC 2009
System revenue	620,993*	694,544	156,354*	176,676
Other revenue	7,441	21,124	1,317	9,793
Work performed by the company for its own use and capitalized	24,614	4,302	8,803	991
Operating revenue	653,048	719,970	166,474	187,460
Cost of goods sold	-28,757	-38,445	-6,687	-8,428
External expenses	-327,838*	-347,658	-89,133*	-89,721
Personnel expenses	-135,928	-110,888	-43,713	-32,500
Depreciation/amortization and impairment losses	-10,776	-9,012	-3,012	-2,517
Foreign exchange differences	-9,807	-11,753	-240	3,418
Operating expenses	-513,106	-517,756	-142,785	-129,748
Operating income	139,942	202,214	23,689	57,712
Net financial items	2,224	29,244	1,662	28,476
Income after financial items	142,166	231,458	25,351	86,188
Appropriations	-31,188	-39,289	-31,188	-39,289
Income tax expense	-29,721	-44,725	2,151	-5,475
Income for the period	81,257	147,444	-3,686	41,424

*) Corrections in system revenue and external expenses in 2010 are attributable to transfers of revenue to subsidiaries.

PARENT COMPANY BALANCE SHEET

SEK THOUSANDS	DEC 31 2010	DEC 31 2009
ASSETS		
Intangible assets	59,025	34,741
Other non-current assets	1,747,816	303,435
Current receivables	235,307	168,763
Cash and cash equivalents	91,549	252,773
Total assets	2,133,697	759,712
EQUITY AND LIABILITIES		
Equity	1,618,417	307,622
Untaxed reserves	160,192	129,003
Provisions	916	1,383
Current liabilities	354,172	321,704
Total equity and liabilities	2,133,697	759,712

ABOUT ORC SOFTWARE

Orc is a leading provider of technology and services for the global financial industry. Orc delivers 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 or 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 it offices across the EMEA, the Americas and the Asia-Pacific region.

Orc Software is publicly traded on NASDAQ OMX Stockholm (SSE: ORC).

For more information visit www.orcsoftware.com.

Orc Software has offices in:
Amsterdam, Chicago, Frankfurt, Hong Kong, London, Milan, Moscow, New Jersey, New York, Paris, Stockholm, Sydney and Tokyo.

STATUTORY DISCLOSURE

The information in this year-end report has been made public by Orc Software AB in accordance with the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on January 20, 2011 at 8.00 a.m. (CET).

CONTACT INFORMATION

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An analyst and press meeting will be held (in Swedish) at 9:00 a.m. on January 20, 2011, at Orc Software's head office, Kungsgatan 36 in Stockholm. A teleconference will be held (in English) at 3:00 p.m. on the same day.

For more information, see the invitation at www.orcsoftware.com, Investor Relations, Press releases.

FINANCIAL INFORMATION

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All financial information is posted on www.orcsoftware.com immediately after publication.

FINANCIAL CALENDAR

April 14, 2011	Interim report for Q1
May 3, 2011	Annual General Meeting in Stockholm
July 13, 2011	Interim report for Q2
October 13, 2011	Interim report for Q3
January 19, 2012	Year-end report for 2011

The annual report will be available to the stockholders on Orc Software's website www.orcsoftware.com and at the company's head office, Kungsgatan 36, Stockholm, during the week of April 4-8, 2011.

Stockholm, January, 20, 2011
Orc Software AB
The Board of Directors and CEO

This year-end report has not been subject to review by Orc Software's independent auditors.

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