

ORC SOFTWARE ANNUAL REPORT 2006



ORC

Barclays Capital Nomura Securities Rand Merchant Bank SHK Online Standard Chartered bank UBS Tachibana
Securities TD Waterhouse Terra Nova Exane BNP Paribas Nihon Unicom Dresdner Kleinwort Winterflood
Securities Wood & Co Zone Trading Kaupthing Bank Schwab Capital Markets HedgeStreet LBBW Royal Bank
of Scotland Bank of America JP Morgan Cazenove RCB Nordea Man Group Sigma Securities Himawari Capital
Swedbank Investec Bear Stearns Citigroup SGS Fortis Bank Royal Bank of Canada BNL Bank Van Driessche
Moolen Danske Bank Banca IMI FIMAT SEB Enskilda Fidelity Capital Markets FutureTrade AIB Goodbody
Stock Brokers FXall Goldman Sachs Hargreaves Lansdown Knight Securities La Branche Financial Services
Madoff Securities AG Edwards CLSA Asia-Pacific Markets Morgan Stanley Quilter AIG Financial Products Ago
Senior State Street Global Advisors Banca del Gottardo (Switzerland) BBVA Bancomer Bernard L. Madoff
Investment Securities Exane BNP Paribas Cantor Fitzgerald CIBC World Markets Liechtensteinische Landesbank
Credit Suisse DBSVickers Nicholas Applegate RCM Sanpaolo Bank S.A. Sigma Securities Singer & Friedland
Investment Management Threadneedle Investments Western Asset Management Ellington Management Fidelity
Management & Research Fiserv Trust Co Gartmore Investment Management Global Trading Australian Stock
Exchange HSBC Asset Management Investia Fund Management JP Morgan Fleming KBC Asset Management
Legg Mason Asset Management Massachusetts Financial Services (MFS) AXA Investment Management Baader
Bank Banca Finnat Intercontinental Exchange Barclays Global Investors BlackRock CDP Capital Concorde
Advisors OMX Deutscher Investment Trust DIT - Allianz Dresdner Asset Management DNB Asset Management
Halycon Analytics Numeric Investors Citigroup Alternative Investments Provident Advisors AG Capital Rombach
Capital Susquehanna International Group FisherKing Capital Charles River Development Fore Advisors AQR Capital
Management Bluecrest Capital Management EBS Citadel Bond Exchange South Africa Currenex EMX Co FX
International Securities Exchange LatentZero MarketAxess Singapore Stock Exchange Warsaw Stock Exchange

There is great value in the leadership role Orc Software plays in providing technology for the global financial community. Our worldwide customers rely on us to pioneer and deliver interoperable, next generation solutions for their trade-critical business requirements.

Contents

Orc Software in brief	5
Orc Software milestones	6
Chairman's Review	7
Significant events in 2006	8
Chief Executive Officer's Report	10
Development innovation	12
Orc trading solutions	14
Business overview	18
Worldwide customer support	20
Human resources	22
Directors' Report	24
Income statement Group	30
Balance sheet Group	31
Shareholders' equity Group	32
Cash flow statement	33
Income statement Parent company	34
Balance sheet Parent company	35
Notes	36
Audit Report	55
Multi-year overview	56
The share	58
Corporate governance	60
Board of Directors	62
Executive Management	63
Definitions	64
Glossary	65
Information for shareholders	66
Addresses	67

 Formal annual report

Orc Software in brief

- Orc Software is a leading global provider of trading technology solutions for the worldwide financial industry, offering competitive regional services, support and industry expertise in every major centre.
- Orc's approximate 250 employees in 14 locations across Europe, the US, Asia and Australia provide support to more than 600 customer sites, many of these representing some of the largest financial services companies.
- Orc provides proven solutions to meet the demands of increasingly complex global financial markets. The Orc platform has the capacity for handling large trading volumes and facilitating integration of latest functionality designed to handle newly introduced regulations.
- The Orc platform has been further enhanced with the addition of CameronFIX, the market leading solution for the FIX messaging standard; the established global standard for electronic trading.
- Orc has gained competitive market advantage with its unmatched number of market connections and the non-membership trading access it offers.
- Our 24 channel partners provide local language, reseller and expert support services worldwide.
- Orc's revenue in 2006 was SEK 418 million, an increase of 50 percent on 2005.

Orc Software milestones

- 1987** Company founded by Nils Nilsson and Ulrika Hagdahl and the first version of the Orc System is developed.
- 1994** First version of Orc Trader launched. Office opened in Moscow.
- 1995** Orc Software expands internationally and acquires first customers in Switzerland and the UK.
- 1996** Expands across Europe and to Asia Pacific. First customers in Germany, Hong Kong and Italy.
- 1997** Orc Software and OMX form a strategic alliance. OMX acquires 53 percent of Orc Software. First customers in Australia and Japan.
- 1999** Offices opened in London, Milan and Sydney. First customers in the Netherlands and the US.
- 2000** Offices opened in Frankfurt and New York. Orc Software is listed on the Stockholm Stock Exchange.
- 2001** Offices opened in Hong Kong, St Petersburg and Zurich. The Orc ExNet service is launched. First customers in Canada, France and South Korea.
- 2002** Distribution agreement signed with Reuters. Offices opened in Tokyo, Toronto and Vienna. First customers in Austria.
- 2003** Orc Liquidator, Orc Broker and Orc Online are launched. Office opened in Chicago. First customers in Belgium.
- 2004** First customers in Iceland and Singapore.
- 2005** Agreement is signed with OMX for development of a new front office product designed for users of exchanges terminals. First customers in Russia, Spain, Taiwan and the Czech Republic.
- 2006** Integration of acquired company Cameron Systems. Expansion and upgrade of offices in London, New York, Hong Kong and Sydney.

Chairman's Review

Dear Shareholder,

2006 proved to be a significant year for Orc Software during which it responded to an unprecedented level of change within the financial markets, fueled by the introduction of new regulations, the rapid uptake of standards, greater competition and increased market fragmentation.

Orc put in motion improved development, marketing and customer penetration strategies that will position it well for capitalising on emerging market opportunities in the foreseeable future.

Strengthening the organisational structure and emphasis on combined growth and profitability was a major focus during 2006. I am pleased with Orc's new organisational framework and its convincing foundation for generating greater revenues.

Orc's marked improvement in profitability for the second half of 2006 was a welcomed positive outcome.

One of the most important decisions the Board made during 2006 was the appointment of Chief Executive Officer, Thomas Bill.

His proven leadership skills and expertise within Orc's markets will be integral to further growing market penetration with our technology solutions and services globally, and building our position as the defacto industry standard in major markets.

Customers are increasingly asking for solutions with high performance market connections to a large number of markets that can efficiently handle large volumes of market data. This increasing market trend is creating favourable conditions for Orc Software.

I would like to thank Orc's dedicated and skilled employees, in particular interim CEO Lars Johansson, for their contributions throughout 2006. Thank you also to Orc's valued worldwide customers and regional partners.

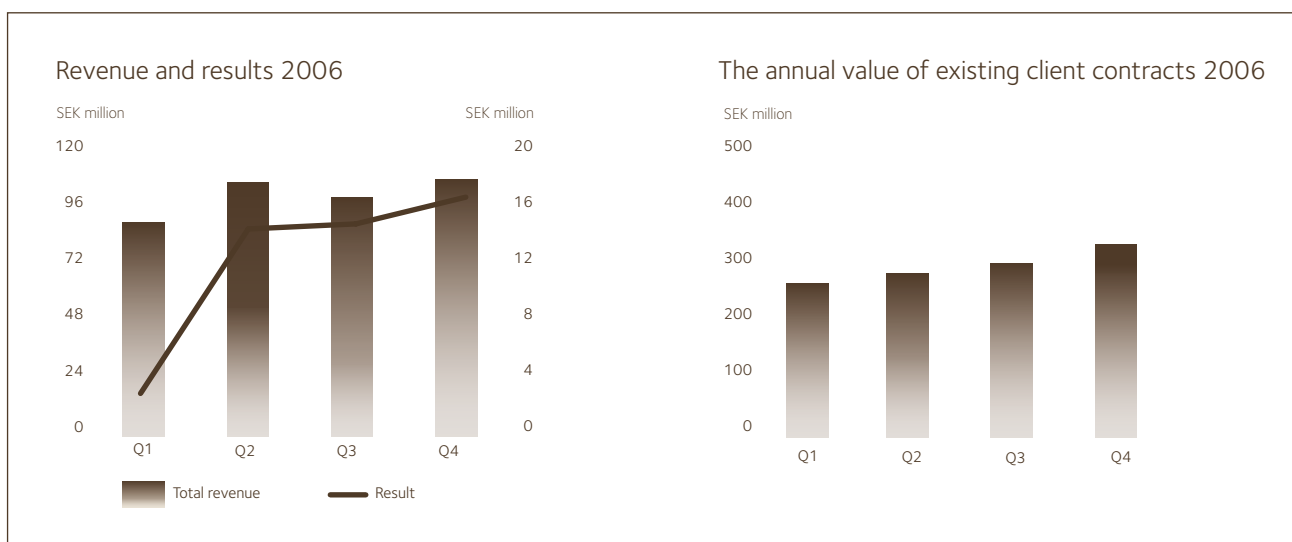


Magnus Böcker

Chairman

Significant events in 2006

- Increased revenues by 50 percent on 2005 to SEK 418 million
- Earnings per share improved significantly to SEK 3.30 from SEK 1.40 for 2005
- Strengthened management team with additional accomplished industry professionals
- Regional consolidation in Europe, North America, Asia and Australia
- Revised global marketing strategy
- Successful integration of Cameron Systems
- Released Orc System Version 6.1 and MiFID solution





In 2006 we ensured acquired business Cameron Systems was fully integrated with Orc Software to expand our solutions platform and strengthen our market position.

Chief Executive Officer's Report

2006 was a pivotal year for Orc during which we reached a number of key milestones ensuring our continued market leading position for shaping and providing trading technology. Orc Software is a strong organisation today that achieved great results during the 2006 year with the potential to perform at even higher levels in the future. Our growth and profitability during 2006 indicate that together with ongoing market opportunity we can achieve greater results.

During the 2006 fiscal year Orc increased revenues by 50 percent to SEK 418 million. This was achieved through increased market penetration in the US, Asia and Australia regions. Orc increased sales to existing customers as well as new customers globally. The acquisition of Cameron Systems has also contributed to additional revenues.

It is a very positive result that operating income doubled to SEK 67 million, with margins also improving to 16.1 percent from the 9.9 percent 2005 levels. Similarly, Income after Taxes climbed 155 percent to SEK 51 million for the 12 months ended 31 December 2006. As a result, EPS improved significantly to SEK 3.30 from SEK 1.40 for 2005.

As a market leading provider of trading technology, it is important that Orc takes responsibility for the business critical role our solutions play. Our strengths lie in our solid understanding of our customer's requirements and the environment they work in. This combined with our well developed customer support infrastructure makes it possible to deliver the best solutions, regardless whether they are a large financial institution or a small trading firm. Our competitive edge stems from our ability to build and deploy trading solutions that exceed customer expectations whilst anticipating their constantly changing trading environment.

People facilitating future growth

During 2006, in combination with Orc's strong engineering foundation, we increased strategic focus in sales and marketing and product management. The management team was further strengthened with sales and marketing expertise; the additional team put together by internal promotion as well as through hiring external individuals who bring new skills for driving our business further. The result of these investments will grow a greater sales and marketing organisation and result in a more competitive Orc.

During 2006, we merged a number of sales offices in order to achieve consolidation and leverage combined resources. The new organisation is based on four regions with each region more efficiently utilising and benefiting from shared market intelligence and expertise, along with a combined broader understanding of the financial industry.

Marketing strategy for the future

Orc is today represented in all the major financial markets globally. We market solutions that are tailored to meet global, and at the same time local customer requirements. Whilst we focused primarily in past years on engineering and product development, we are now broadening this to ensure we successfully market our offering globally.

We are improving our marketing to ensure Orc gains visibility for increased awareness and acceptance of our competitive solutions and services globally. At the local level we are now creating greater visibility by, for example, investing more in exhibiting at premier financial industry events and conferences.

During 2007, we will see the introduction of a new solutions-based sales and marketing approach; a move away from Orc's traditional productised approach. The future for Orc is solutions-based selling to defined market segments. We will be known for building solutions that are high performance, interoperable, and backed by first class local support that responds to customer requirements as they grow.

Successful acquisition for expanded market offering

The integration of Cameron Systems was successfully finalised during 2006. The acquisition expanded Orc's market offering and enhanced its position as a leading technology provider for the worldwide financial industry. The flagship CameronFIX solution was integrated with the Orc platform and is now shipped to customers either as a stand-alone or integrated application. The successful acquisition process surrounding the integration of Cameron Systems has equipped Orc with valuable experience that can be applied again in the future.

Market trends working in Orc's favour

Of the emerging market trends, those currently most beneficial to Orc are the increase in trading volumes and the emergence of a larger number of market venues. The transition to electronic trading has accelerated and the traditional trading floor is being marginalised.

The introduction of regulations such as MiFID (EU) and Reg NMS (USA) is rapidly changing the nature of trading and providing new business opportunities for Orc. MiFID is driving the creation of new liquidity pools resulting in greater demand for multi-market connectivity from firms looking to meet best execution compliance requirements.

Orc's latest development for Best Execution Routing is receiving broad interest and market acceptance from existing and new customers looking for best of breed order routing capabilities.

In parallel with this, we are also witnessing growing demand from investors looking to trade to venues without direct membership. This trend is creating greater demand for direct market access (DMA). At the same time we are seeing continued growth for automated trading globally. With the rapid uptake and expansion of the FIX protocol, Orc is in a particularly advantageous position with its unmatched number of market connections and the reputable CameronFIX solution.

Focus on growth creates trust

The results for 2006, the development of our organisation with an improved approach to sales and marketing, together with Orc's strong market position, creates excellent conditions for improved profitability. Based on the clarity of our vision and capacity to capitalise on market trends and growth markets, the outlook for 2007 is very favourable. Orc is well and truly on track with a sound business model to meet our commitment to revenue growth for the future. Orc Software's medium term financial targets include an annual revenue growth of at least 15 percent, with an operating margin of 15 percent or higher.

I would like to thank our valuable customers, our board and our shareholders for their support. In addition I would like to acknowledge our employees competencies, and the dedication and creativity they have shown. It is this unity of vision and purpose that forms the backbone of our business and drives us to reach higher and continue to shape the way we trade today, tomorrow and in the future.



Thomas Bill
Chief Executive Officer

Development innovation

Orc Software continues to invest in our entire product offering to maintain and grow the company's leading position as a provider of advanced trading solutions for the worldwide financial markets.

Orc will thrive on the emergence of complex markets. Complexity requires solutions that can make the complex simple without discounting on performance or ease of use. Orc's advanced trading solutions combined with 100+ market connections and the world's best FIX connectivity solution are an unmatched market offering.

Increased market fragmentation is apparent globally and not just in Europe where MiFID is driving the emergence of new liquidity sources. With MiFID fueling competition between exchanges and resulting in increased pricing transparency, we are seeing a move away from their traditional role to venues competing more so on the promise of speed, throughput, services and fees.

Market fragmentation plays to Orc's strengths and our ability to respond to demand for complex trading systems and unlimited market connections. Increased fragmentation is driving the greater need for efficiency and best execution capabilities. Firms need solutions that allow them to implement trading strategies across asset classes and that scale with their business. Technology should never be the limiting factor.

The level of automation adopted by large through to small firms has resulted in the underlying market place moving at a rapid pace. The need for vendors to develop, build and integrate systems that facilitate this worldwide automation has never been so great.

Another trend that continues to benefit Orc is the gradual move away from in-house trading system development to standardised, turn-key solutions from third-party suppliers. In-house development is only required when a market participant believes that a custom solution provides a distinct competitive advantage. In today's markets, such preconditions are becoming increasingly rare. By relying on Orc as a solutions provider, customers can implement state of the art, fully supported, trading technology in less time and with reduced cost.

Building on development and technology

Orc's well architected, stable technology provides us with our competitive advantage and our market differentiators. Research and development helps us address trading complexities with solutions that help form successful business infrastructure for our customers.

During 2006 we commenced mapping the next generation Orc architecture that will take Orc's solutions to the next level for lower latency and greater throughput. The dramatic increase in market data volumes on the world's exchanges puts pressure on both market participants as well as the vendors who supply them. Orc is well positioned to take on this challenge and provide the necessary requirements.

Financial institutions are using information technology as a means to gain competitive advantage, often investing in new technology as soon as it is brought to market. Consequently, Orc is continuously developing and testing our solutions to enable customers to make full use of the latest advancements in hardware, operating systems and network technology.

"We are pleased to work with Orc Software to deliver advanced trading capabilities on the Sun platform... Orc's advanced trading technology is a perfect solution for firms looking to take advantage of new market opportunities. The combined technology solution fully supports on-the-fly trading with no downtime and with little or no introduced latency or additional cost."

Donna Rubin, Senior Director, Sun Microsystems

In 2006 we continued to expand the number of markets Orc connects to, with additional new connections to exchanges, electronic crossing networks (ECN), alternative trading systems (ATS) and brokers worldwide. The uptake of these market connections gained strong momentum in every region during 2006. In 2007 we will see further increase in demand from firms across Europe, Asia Pacific and the US for connections to multiple markets to drive their business into the future.

Emerging industry standards and regulations

With the FIX protocol rapidly emerging as the industry de facto standard for electronic trading, Orc Software is committed to supporting the FIX protocol as an active participant in the FIX protocol organisation (FPL), contributing to the FIX specification 5.0 and more. The use of FIX is steadily marching beyond equities to other asset classes such as fixed income and foreign exchange. Orc is helping shape next generation trading by responding to these market requirements with intelligent solutions. Through the acquisition of Cameron Systems in 2006, Orc can now offer market leading FIX technology, making us well prepared to meet future demand in this growing segment.

Achieving market data efficiencies is all about speed, volume and reliability. The rapid increase in data volume requires higher throughput in trading infrastructure. Orc supports the FIX Protocol organisation's FAST initiative (FIX Adapted for Streaming), which is used on the Orc platform for the benefits of speed and compression. During 2006, Orc also worked closely with OMX to play an important role in the widespread adoption of FIX and FAST protocols.

Orc's development work is also influenced by the emerging MiFID and RegNMS regulations. We support customers compliance requirements by offering solutions that help manage the added trading complexities introduced by these regulations.

In 2006, Orc's development organisation grew rapidly, primarily as a result of the addition of Cameron Systems and MarketOn staff. The MarketOn front-end solution has been integrated into the Orc platform to enhance our trading and Direct Market Access (DMA) solutions. The additional expertise and applications has resulted in a broader offering for Orc with improved capabilities for delivering comprehensive market solutions.

Strengthening core business with global engineering resources

The cornerstone of Orc's development heritage is the ability to attract and retain the industry's most talented software engineers. The company provides the development team with an entrepreneurial workplace environment for collaborative software development, driven by a dynamic marketplace.

Orc has an extensive development team strategically located in Chicago, Hong Kong, London, Moscow, New York, Stockholm, St Petersburg, Sydney and Toronto. This distributed organisation has been designed to enable product development to tap into our collective experience and proven understanding of individual markets, thereby further strengthening Orc's offering.

Orc's indepth market knowledge and presence in each major financial region where our customers are active, provides the necessary foundation to drive and position Orc as the engineers pioneering development and delivering proven solutions required to meet the rapid requirements of change.

John Cameron – CTO

Joacim Wiklander – VP Product Management

Hugh Stables – VP Engineering

Orc trading solutions that help make every trade count

High performance

Orc Liquidator is the ideal solution for any mid to large size firm with complex trading requirements. Institutions that require full flexibility to customise execution strategies for optimised trading, use Orc Liquidator. It provides the capability for gaining competitive advantage by allowing traders to quickly adapt and deploy new trading strategies as market conditions change and as new opportunities appear. Algorithmic trading enhancements make Liquidator a powerful solution.

Stable and reliable

The reliable and stable Orc Trader is a trading staple for handling large trading volumes and execution on multiple markets. With next generation capabilities on their way for Orc Trader, it is set to deliver greater performance levels thereby reducing latency whilst delivering on its reputation for stability.

The need for best execution solutions and connecting to multiple liquidity sources resulting from the emergence of other non exchange sources of liquidity, is the emerging market trend making Orc Trader and Liquidator more in demand.

Orc trading enhancements during 2006

Orc released the latest version Orc Liquidator and Orc Trader 6.1 with new volatility API and models, new market connections, transaction analytics and reporting, click trading enhancements, as well as further improvements enabling high performance direct market access to global markets.

Market connectivity

No matter which firm we speak to, whether it's large or small, they all need market connections to a number of new venues. And they need them yesterday. Orc is unmatched in the number of market connections it can provide and support with direct market access to more than 100 electronic markets globally. What makes Orc's offering more attractive beyond trading access to markets, is the live price market data it can provide in FIX standard format.

Orc's revenue model

- Orc Software licenses its products and the license fee is paid in advance
- Service and support are included in the license fee
- New versions are included in the license fee
- CameronFIX is offered by upfront payment or subscription

"Exane's switch to CameronFIX was motivated by the fact that it is used by so many of our Buy Side customers and most of the global trading community. We needed to be able to quickly adapt to client specific requirements... CameronFIX is the stable, high performance FIX platform Exane BNP Paribas can rely on."

Guillaume Lacronique, Head of Equity
Head of Trading Technology for Exane BNP Paribas

CameronFIX connectivity

CameronFIX, the number one Financial Information Exchange protocol (FIX) platform, is an Orc Software connectivity solution.

Interest for market data delivered fast, over FIX, increased during 2006. When we tell our customers we can deliver 200 000 continuous messages per second that speaks volumes because on any given trading day, that potential alone will put them in front.

Non member access to trading venues via ExNet

Orc ExNet provides the buy-side with non-membership access to all major liquidity pools, including official exchanges and ECNs.

"In an increasingly fragmented FX market it is important for Nordea to connect to a variety of execution venues... We are pleased to work with Orc Software to broaden our execution services towards ExNet participants."

Kenneth Steengaard, Head of Nordea e-Markets



Orc Software's strong global market offering is supported by a dynamic and progressive organisation across Europe, North America, Asia and Australia with the know-how for understanding and leading the market.

Market connections and office locations

Orc Software's market connectivity offers access to 100+ global markets.

- Orc Software's market connections
- Orc Software's offices



NORTH AMERICA

American Stock Exchange (AMEX)
Bloomberg Tradebook
Boston Options Exchange (BOX)
BrokerTec
CBOE Futures Exchange (CFE)
Chicago Board of Trade (CBOT)
Chicago Board Options Exchange (CBOE)
Chicago Mercantile Exchange (CME)
Eurex US
FXall
HedgeStreet
Hotspot FXi
Instinet
International Securities Exchange (ISE)
ISE Stock Exchange
Montreal Exchange (BdM)
NASDAQ

New York Mercantile Exchange (NYMEX)
New York Stock Exchange (NYSE)
NYSE Arca Equities
NYSE Arca Options (PCX)
OneChicago
Philadelphia Stock Exchange (PHLX)
Pure Trading
Toronto Stock Exchange (TSX)
TSX Venture Exchange

ASIA & AUSTRALIA

Australian Stock Exchange (ASX)
Hong Kong Futures Exchange (HKFE)
Jasdaq Securities Exchange
Korea Stock Exchange
New Zealand Exchange (NZX)
Osaka Securities Exchange (OSE)
Singapore Exchange (SGX)
Stock Exchange of Thailand (SET)
Sydney Futures Exchange (SFE)
Taiwan Futures Exchange (TAIFEX)
Taiwan Stock Exchange (TSEC)
The Stock Exchange of Hong Kong (SEHK)
Tokyo Financial Exchange (TFX)
Tokyo Futures Exchange (TFE)
Tokyo Stock Exchange (TSE)



EUROPE

- | | | |
|--|--|---|
| Athens Stock Exchange (ATHEX) | Intercontinental Exchange (ICE) | Oslo Stock Exchange |
| Budapest Stock Exchange (BSE) | Irish Stock Exchange (ISE) | Prague Stock Exchange |
| Chi-X | Istanbul Stock Exchange (ISE) | Quotrix |
| Citibank Automated Trading System (CATS) | Italian Derivatives Market (IDEM) | Riga Stock Exchange |
| Copenhagen Stock Exchange (CSE) | Italian Stock Exchange (MOT) | Russian Trading Systems (FORTS) |
| EBS | Italian Stock Exchange (MTA) | Stockholm Stock Exchange (OMX Stockholm Cash) |
| Eurex | Italian Stock Exchange (SeDeX) | Swiss Exchange |
| Euronext | London Stock Exchange (DTS) | Tallinn Stock Exchange |
| Euronext.liffe Amsterdam | London Stock Exchange (RSP) | TLX |
| Euronext.liffe Brussels | London Stock Exchange (SETS) | Warsaw Stock Exchange |
| Euronext.liffe Lisbon | Luxembourg Stock Exchange (LuxX) | Vienna Warrants |
| Euronext.liffe London | Madrid Stock Exchange (SIBE) | Vilnius Stock Exchange |
| Euronext.liffe Paris | Mercado Espanol de Futuros u Opciones (MEFF) | Virt-x |
| Euwx | Moscow Interbank Currency Exchange (MICEX) | Xetra |
| Frankfurt Stock Exchange (FWB) | Nordic Growth Market (NGM) | Xetra Vienna |
| Helsinki Stock Exchange | Nord Pool | Johannesburg Stock Exchange (JSE) |
| Iceland Stock Exchange (ICEX) | ÖTOB | Dubai International Financial Exchange (DFIX) |

Business overview

Europe

Revenue for Europe in 2006 was up 35 percent on 2005 indicating increased market penetration for Orc Software's solutions in the region.

Orc Software is partner to the major and most advanced trading firms and banks across Europe. In regions such as Germany, UK, Nordic and Italy, our customers rely on us to provide solutions that are reliable, innovative and come supported with excellent services. This makes their IT operations easier to run whilst meeting their business objectives for providing solutions that scale easily with their growing requirements.

With the increase in mergers and acquisitions within the European banking sector, Orc's strong position with financial institutions makes it potentially the preferred solution provider for the new unified organisation and its expanded requirements. Their needs for optimising and automating order flow are very high, producing greater requirements for order routing and FIX connectivity. Orc's robust market connectivity is continuing to gain reputation within the financial industry.

2006 was an important year for MiFID preparation, with customers needing information and solutions regarding compliance regulations. MiFID promotes transparency and competition which is resulting in greater brokerage volumes across all asset classes and greater demand for sophisticated routing and order execution. Orc has developed MiFID solutions required by financial institutions to achieve best execution to multiple liquidity pools. We expect significant sales in this area going into 2007 and will be highly visible at MiFID conferences and trade shows across Europe.

Proprietary trading is driving market connectivity requirements across Europe as traders increasingly switch markets to capture rapid liquidity and volatility changes. Orc's connectivity solutions are highly regarded for providing stable, fast and well supported connections and this will provide many sales opportunities going into 2007.

"Orc Software is a leading technology provider delivering trading enhancements to our worldwide customers such as Van der Moolen. We are pleased to be working with Van der Moolen to provide proprietary trading enhancements that will accelerate its business."

Anders Henriksson, President Benelux,
Central and Eastern Europe, Orc Software

The need for algorithmic trading capabilities and new interest in Eurex market making is driving interest for Orc's Liquidator solution. Emerging trading requirements from new territories, including Spain and France, are also driving this growth. Hungary, Poland, Slovenia and Czech Republic are now active in the warrants and market making business and Orc is there to capture their requirements going into 2007 with our unique market offering.

North America

Revenue for North America in 2006 was up 189 percent on 2005 indicating a significant increase in market penetration for Orc Software's solutions in the region.

North America is the largest market in the world for financial services technology and holds great promise for Orc as we continue to gain momentum with deeper market penetration. 2006 was a pivotal year for Orc in the region with a number of key sales and successful implementations at tier one investment banks and large hedge funds. This success has helped further build Orc's credibility and buyer trust in the region.

During 2006 the North American market experienced unprecedented rapid change. Cross exchange trading is growing rapidly. Regulation National Market System (RegNMS) is raising the bar for all participants by forcing best execution, and opening the door for more competition between exchanges which is resulting in the further fragmentation of liquidity. Exchanges are diversifying into new asset classes, such as International Securities Exchange into equities, and New York Stock Exchange into fixed income. Floor markets are closing as they go electronic, and the first ECN Pure Trading is launching in Canada in 2007.

There is enormous focus on speed and minimising latency to take advantage of trading opportunities. In 2007 established exchanges will experience new competition from other exchanges and dark liquidity pools. Internal matching of orders will continue to grow. The major challenge the entire market faces is the exponential growth of market data, caused by the move to quotations in decimals and a larger number of contract types being traded. As a result Orc's solutions for multiple market connectivity, best execution, high performance and high throughput trading are in great demand.

We sharpened our focus for North America in 2006 with a targeted sales and marketing strategy that will lead us into 2007 and position our solutions for asset classes where we are proven and where we have key customers. Product development and management now concentrates on these customer segments. A major contributor to our success in North America is focused development such as the US Options Montage for one screen, real-time consolidated quotes for all equity options exchanges.

CameronFIX sales were strong in North America during 2006. Market awareness and reputation is high. In 2007 we expect considerable growth for CameronFIX both as a standalone solution, and also as an integrated FIX gateway on the Orc platform.

Increased focus in 2006 also extended to our North American sales and account management. This resulted in new senior hires during Q4. Our technical services and support team also grew during the year in response to continued growth and greater customer penetration going forward. We are confident our increased sales, account management and marketing resources will deliver strong results for Orc in 2007 and beyond.

Asia & Australia

Revenue for Asia and Australia in 2006 was up 80 percent on 2005 indicating increased market penetration for Orc Software's solutions in the region.

One of the most significant market trends we are capitalising on in Asia and Australia is the high demand for delivering remote, single screen, multi-market access. Orc's ability to provide this has resulted in many new customers during 2006 in centres including Hong Kong, Singapore, Korea, Taiwan, Malaysia, Japan, New Zealand and Hawaii. These new customers predominantly want access to the markets in Japan and Singapore. Revenues from our existing clients have also increased as their number of market connections expands and they add additional trader screens.

New connectivity to the Korean Cash market in late 2006 opened the door for the first Orc connections, with more expected for 2007.

Listed warrants and their traded volumes have increased significantly during the course of 2006 with firms looking for this additional functionality. We won the business of several new key customers in Asia based on our warrant market making functionality. The emerging Korean warrant market is one opportunity we are looking at in 2007, following the first set of warrants listed in late 2005. Over the course of 2006 it has grown to be the second largest equity linked warrant market in Asia behind Hong Kong.

Orc's strengths in market making derivatives products and our market connectivity will see continued sales throughout the region. Proof of this can be seen with our growth in the Taiwanese market where repeat installations reflect our market leading position.

"Barclays Capital is expanding its prime services business by teaming up with Orc Software... ExNet is providing Barclays Capital with an important advantage by helping to expand the distribution of Barclays Capital's global electronic access products worldwide whilst giving our customers greater access and flexibility through Orc's trading systems and network."

Angus Yang, Director, Head of Equity Prime Services
Asia Pacific, Barclays Capital

CameronFIX is considered the leading connectivity solution in the region by major members of the global financial industry and the growing demand for FIX is driving further sales both as a stand alone and integrated Orc solution.

One of Orc's strongest market differentiators is its technical support. In Asia our team provides customers with a competitive advantage via their knowledge and experience with the major regional markets.

Worldwide customer support

Orc Software works closely with its worldwide customers to ensure their success. Our services and support help them solve complex trading problems and engage more effectively with their clients. Our in-house team of experts share their in-depth market knowledge and technical expertise to provide the know-how required for 100 percent production solutions to meet exact business and operational objectives, and sustain value over time.

Solid implementation

Our competitive edge stems from our ability to build and deploy solutions that over-deliver on expectations to meet the market's ever changing trading requirements. We provide regional implementation and support for customers, in local time, language and custom, from our many office locations across Europe, North America, Asia and Australia. Our expert approach fosters the importance of fast information transfer and problem resolution.

Production fine tuning

Whilst goals and objectives are always aimed high, every customer is different. We make it our business to really understand our customer; from their people to technology process, so that we can make the necessary recommendations for fine tuning and ensure they achieve the best outcome.

Sustained value

Value over time is critical. Orc Software provides the ongoing technical expertise, solution upgrades, market knowledge and industry leadership to make sure we keep our customers on the front foot and help them navigate increasingly complex market dynamics.

Education

The level of unprecedented change within the financial markets, fueled by the introduction of new regulations, the rapid uptake of standards, greater competition and increasing market fragmentation, is eliminating the geographical barriers of old. Orc Education provides the opportunity for customers to tap our extensive market knowledge and expertise. Our education workshops offer the opportunity to share knowledge with representatives from our global team of trading technology experts. No matter what region, Orc Education provides the market insight for customers to further grow their business and achieve greater levels of success.

Orc Software offers customer support through 14 offices

- Chicago
- Frankfurt
- Hong Kong
- London
- Milan
- Moscow
- New York (2)
- Stockholm
- St. Petersburg
- Sydney
- Toronto
- Vienna
- Zurich



We make it our business to really understand our customer; from their people to technology process, so that we can make the necessary recommendations for fine tuning to ensure they achieve the best outcome.

Human resources

Our ability to attract and further develop skilled professionals is crucial to building excellence in everything we do... including product management and development, engineering, solutions integration, customer support, marketing and accounts management.

Orc's organisational structure is divided into four regions: Europe, North America, Asia and Australia, with 14 offices located worldwide to ensure high visibility globally in every major financial market, local customer support, and local market knowledge and expertise.

At year end 2006, Orc Software employed 244 people compared to 207 in 2005. The increase in staff is in large part (50 percent) attributed to the integration of Cameron Systems.

A truly global organisation and a strong international culture

Orc Software has a vital company culture that rewards and fosters employee commitment, contribution and expertise, and a positive 'can do' attitude. We encourage personal development for individuals so the path to learning and growing continues.

Skills enhancement is an important part of Orc culture and is fostered through internal and external training and programs. New employees receive induction training and are provided with advancement opportunities that exist within our global, fast paced, innovative and rewarding organisation.

Consolidated management team

Orc's newly expanded management team consists of senior individuals Thomas Bill, CEO, Anders Berg*, CFO, John Cameron, CTO, Joacim Wiklander, VP Product Management, Hugh Stables, VP Engineering, Jan Hallsenius, VP Sales Operations, Fredrik Skogby, VP Corporate Development, Annie Walsh, CMO, Martin Koopman, President North America, Anders Henriksson*, President Benelux, Eastern and Central Europe, Matteo Carcano*, President Western Europe, and Peter Bergson*, General Counsel.

* These members of the management team joined after December 31, 2006.

Incentive programs

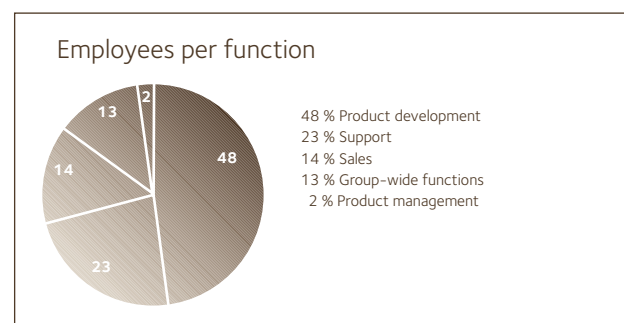
Information on incentive programs is provided in the Directors' Report.

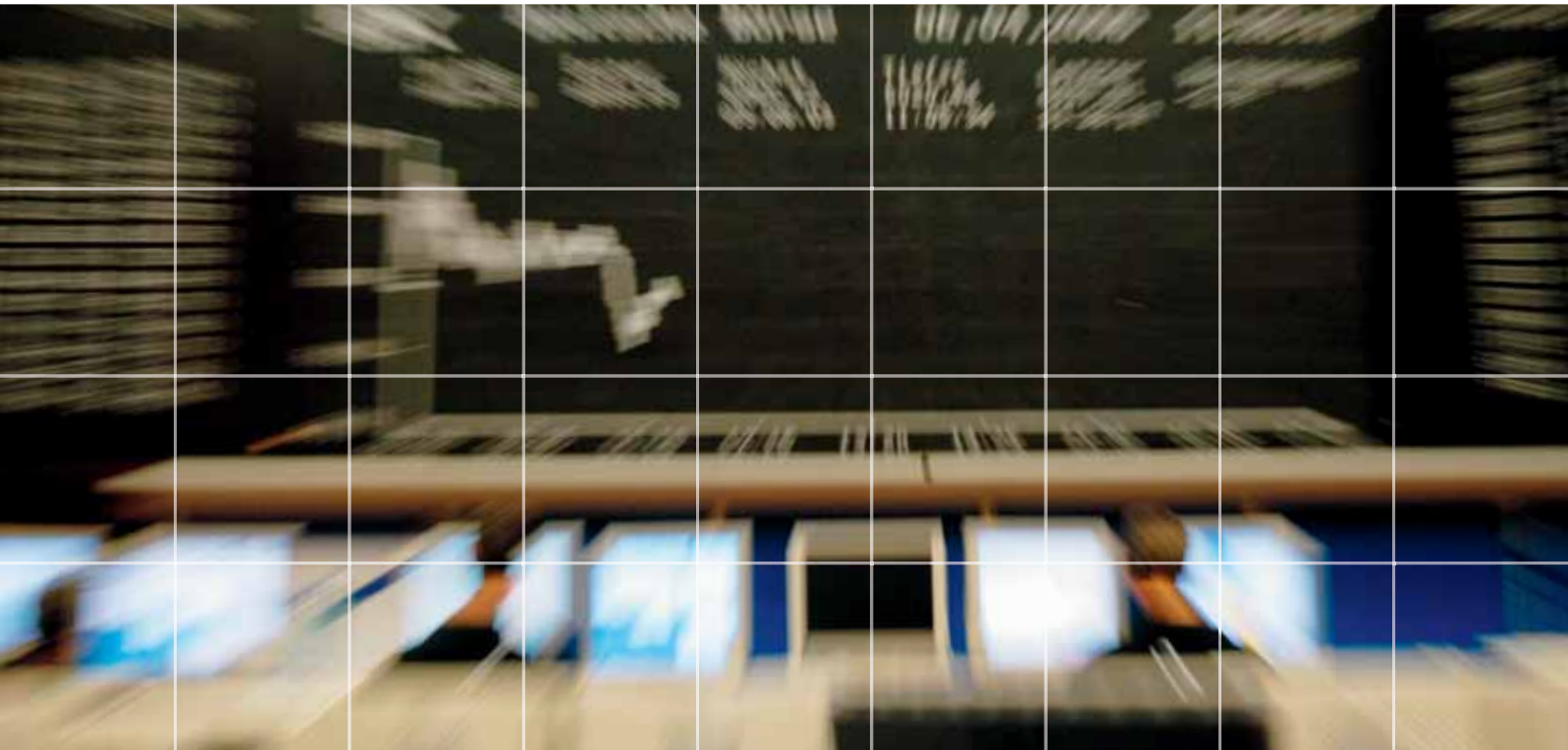
Human resources in figures

	2006	2005
Number of employees at year end	244	207
Average number of employees	227	186
Percentage of female employees, %	19	18
Added value per employee, SEK million	1.2	0.9
Average age	32	32

Number of employees per office

244 employees at 14 offices	number
Stockholm	77
St. Petersburg	25
Moscow	13
London	16
Frankfurt	7
Vienna	4
Milan	11
Zurich	1
New York	15
Chicago	7
Toronto	10
Sydney	17
Hong Kong	11
E2E	30





Our people are one of our greatest assets... our ability to attract and further develop skilled professionals is crucial to building excellence in everything we do. Recognising the need to strengthen our approach, in 2006 we hired additional accomplished industry professionals to help implement improved future-proof strategies and processes.

Directors' Report

The Board of Directors and Chief Executive Officer of Orc Software AB (publ), corporate identity number 556313-4583 and registered office in Stockholm, Sweden, hereby submit the accounts for the financial year 2006 for the Parent company and the Group.

ABOUT ORC SOFTWARE

Orc Software is a global leader providing trading technology solutions to the worldwide financial industry, with competitive regional services, support and industry expertise in every major financial centre. Orc's 244 employees across 14 locations across Europe, North America, Asia and Australia support more than 600 customer sites, many of these representing some of the largest financial services companies.

OUTLOOK

The annual value of existing client contracts¹ increased by 30 percent pro forma to SEK 346 million at year-end 2006. Accordingly, Orc Software is maintaining healthy growth. Adjusted for foreign exchange effects, the increase was 41 percent. Excluding the acquisition of Cameron Systems, the annual value of existing client contracts increased by 26 percent. The Board's objective is for minimum annual revenue growth of 15 percent, with a minimum operating margin of 15 percent.

MARKET

Growth in trading volumes continued globally during 2006, creating greater demand for Orc's advanced trading technology. The financial community requires technology solutions that allow them to benefit from liquidity and volatility exchange variations. Market conditions have been greatly affected by the introduction of new regulations such as the EU-wide MiFID directive, and the US Regulation National Market System (RegNMS). The demand for Direct Market Access (DMA) greatly favors Orc Software's offering for market access and FIX connectivity.

The demand for Orc's derivatives trading solutions in the European markets remained strong throughout 2006. MiFID

is driving the creation of new marketplaces and services, and Orc is benefiting from resulting demand for solutions required for delivering best execution to traditional and new marketplaces. In Eastern Europe, greater interest in options trading is creating new business opportunities.

In the North American market, inter-exchange trading expanded as the markets continued to develop during 2006. Open outcry trading continued to migrate to electronic platforms, and the go-live of the first Electronic Communication Network (ECN) in Canada was planned for 2007. RegNMS requirements are creating demand for solutions to achieve best execution. Stock exchanges in the US increasingly extended their operations during 2006 to include additional asset classes. Orc Software developed a number of additional market connections in the year, and a number of sales for broader investment bank solutions were achieved including smart order routing for international trading.

In Asia and Australia, Orc Software benefited as a result of growing interest from the financial industry for trading multiple markets from a single screen. The increase in demand for derivatives market-making is also contributing to Orc's growth. During 2006 Orc advanced its position in the major Asian markets, including the emerging markets in Taiwan and Korea.

SIGNIFICANT EVENTS

Integration of Cameron Systems

Cameron Systems' solutions, services and operations were integrated with Orc during 2006. The global integration resulted in CameronFIX engineering, services and sales infrastructure, and staff being fully operational within the Orc organisation by the fourth quarter 2006. The flagship CameronFIX solution, as an integrated Orc market offering, is shipped as a stand-alone or integrated Orc platform application. The combined teams have operated in the Orc London, Sydney and Hong Kong offices since the fourth quarter. In the first quarter 2007, Orc and Cameron operations will be combined and integrated at Orc's New York office.

¹ Defined as the annualized value of existing client contracts, excluding transaction-based revenues, using average exchange rates during the final month of the period, disregarding currency hedging. New contracts are included as of the date invoicing is expected to begin and cancelled contracts are included until payment discontinues. Cameron Systems is included from December 31, 2005 onwards.

MarketOn

The development of the MarketOn front-end solution began in fall 2005, in collaboration with OMX. As of December 31, 2006, the rights to some software components were sold to OMX for SEK 2.1 million. Orc Software is integrating MarketOn with the Orc platform to further develop its brokerage and DMA solution.

New CEO

During September the Board of Directors announced Thomas Bill as the new Chief Executive Officer, effective October 1. Thomas Bill was previously CEO with Protect Data.

Product development

Orc Trader and Orc Liquidator version 6.1 were launched in the fourth quarter 2006. The new version adds functionality including open API for the flexible integration of volatility models, enhanced analysis tools and DMA performance on global markets.

In 2006, Orc Software developed new connections to additional markets including the IntercontinentalExchange (commodities), EBS (FX), FXall (FX), Hotspot FXi (FX), ICAP (bonds) and Russian Trading Systems (equities).

EVENTS AFTER THE END OF THE PERIOD

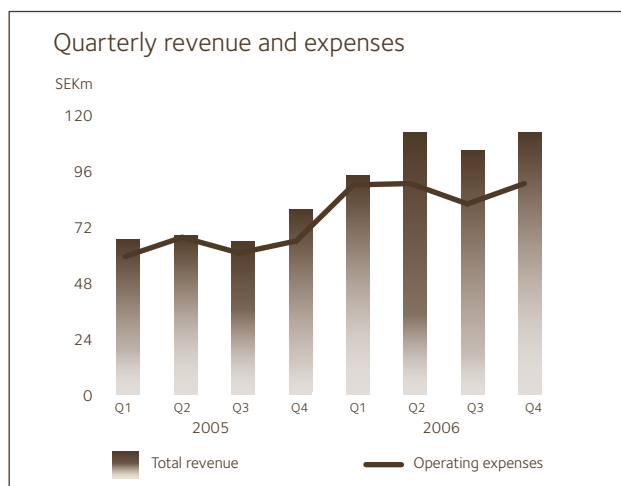
Orc Software appoints Anders Berg as CFO

Anders Berg was appointed Orc Software's CFO, effective March 12, 2007. He joins Orc Software from Investor AB, where for the past five years, he has been CFO. Mr. Berg will join the group management.

Acquisition of the remainder of Orc Education

As of January 1, 2007, Orc Software acquired the remaining 49 percent of the shares of Orc Software subsidiary Orc Education from Swedish Trading Institute AB. Orc Education arranges derivatives trading training packages.

OPERATING REVENUE



Consolidated revenues increased by 50 percent in 2006 to SEK 418 (278) million. Excluding Cameron Systems, revenues grew by 29 percent, mainly due to increased systems revenues.

Sales on all geographical segments grew in 2006, with Americas posting the biggest percentage gains. Excluding Cameron Systems, all geographical segments achieved positive sales growth.

Sales by geographical market

SEK million	2006	2005	Change, %
Nordic region	110	83	33
Europe exc. Nordic region	162	119	36
Asia and Australia	54	30	80
Americas	78	27	189
Other (foreign exchange differences)	14	19	-26
Total	418	278	50

Systems revenues grew by 57 percent to SEK 365 (233) million, representing 87 (84) percent of revenues. Initial revenues, mainly from Cameron Systems' sales, amounted to some 9 percent of systems revenues in 2006. Excluding Cameron Systems, systems revenues grew by 31 percent.

Other operating revenue was SEK 53 (45) million, an 18 percent increase, due mainly to revenues from OMX of over SEK 10 million, and higher consulting revenues. Positive foreign exchange differences were SEK 14 (19) million.

OPERATING EXPENSES

Operating expenses rose by 40 percent in 2006 to SEK 351 (250) million.

Personnel costs grew by 54 percent to SEK 205 (133) million in 2006, the increase mainly being a result of the acquisition of Cameron Systems, higher sales commission as a result of a strong year in sales terms, the reported severance pay and take-over of operations from OMX. Personnel costs also include a bonus of SEK 11.6 (1.9) million for the company's employees, including its management. The average number of employees increased by 22 percent during the year.

Cost of premises increased by 11 percent SEK 20 (18) million in 2006, largely a consequence of the acquisition of Cameron Systems.

Other external expenses² increased 43 percent to SEK 80 (56) million in 2006. The acquired company Cameron Systems represented half of this increase. The remaining cost increase was mainly a result of increased marketing activities and negative foreign exchange differences.

Depreciation, amortization and write-downs increased by 50 percent to SEK 24 (16) million in 2006. The increase is a consequence of a greater number of intangible fixed assets attributable to the acquisition of Cameron Systems and a write-down attributable to the rights to some software components of MarketOn that were sold to OMX for SEK 2.1 million.

EARNINGS

In 2006, operating income increased by SEK 39 million to SEK 67 (28) million, equivalent to an operating margin of 16.1 (9.9) percent. The increase was mainly attributable to higher systems revenues and the acquisition of Cameron Systems. Excluding this acquisition, operating income increased by SEK 25 million.

Adjusted for items affecting comparability and foreign exchange effects, operating income was SEK 84 (27) million, equivalent to an operating margin of 20.9 (10.4) percent.

DEVELOPMENT EXPENDITURE

Orc Software continues to invest substantial resources in product development for new and existing applications. The majority of development expenditure represented salaries. At year-end, 122 (107) people worked on product development in Hong Kong, London, Moscow, New York, St. Petersburg, Stockholm, Sydney and Toronto. Other product development expenditure includes computer equipment and premises for product developers, as well as external consultants.

Capitalized development expenditure was SEK 6.4 (-) million in 2006. This expenditure is mainly attributable to MarketOn, capitalized since September 1, 2006. The amortization of accumulated capitalized development expenditure was SEK 5.5 (7.8) million. The write-down on capitalized development expenditure was SEK 2.1 (-) million.

Total development expenditure increased by 32 percent in 2006 and amounted to approximately 21 (25) percent of total revenue³. The increased development expenditure is due to the acquisition of Cameron Systems and the expansion of internal development resources.

Development expenditure is expected to remain a significant part of operating expenses.

CASH FLOW AND INVESTMENTS

Consolidated cash flow before changes in working capital and investments was SEK 81 (45) million in 2006.

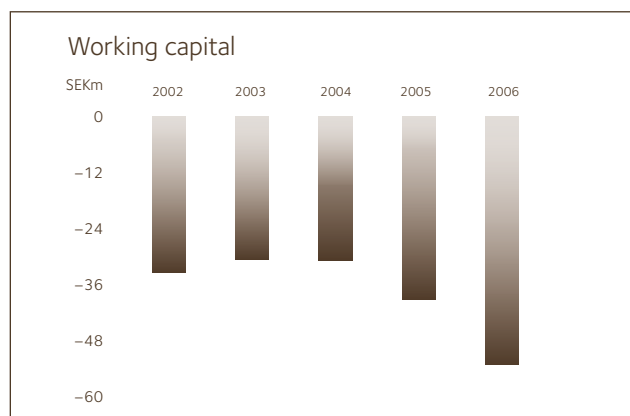
The change in working capital affected cash flow by SEK 12 (6.5) million in the year and mainly comprised increased operating liabilities, a result of increased sales. Operating capital amounted to SEK 184 (-35) million as of December 31, 2006. The acquisition of Cameron Systems affected operating capital through the reduction of liquid funds and increased shareholders' equity, which rose due to a new issue and the transfer of treasury shares.

² Other external expenses consist mainly of other external consulting (not related to product development), travel, marketing, and negative foreign exchange differences.

³ Total revenue is adjusted for positive foreign exchange differences.

Consolidated investments amounted to SEK 192 (-8) million in 2006, which in main part relates to the acquisition of Cameron Systems.

At year end, Orc Software had no interest-bearing liabilities. Liquid funds amounted to SEK 75 (227) million as of December 31, 2006.



SENSITIVITY ANALYSIS

The following sensitivity analysis reviews the annualized effect of a change in a number of factors on Orc Software's operating income.

Factor	Change	Effect on operating income, full year 2006, SEKm
License price	+/- 5%	+/- 18
Payroll cost	+/- 5%	-/+ 9
Development expenses	+/- 5%	-/+ 4
USD/SEK	+/- 5%	+/- 4 ⁴
GBP/SEK	+/- 5%	-/+ 1 ⁴
EUR/SEK	+/- 5%	+/- 4 ⁴

⁴ Disregarding existing currency hedging.

TAXATION

In January - December 2006 period, the tax rate was 25 (38) percent. The lower tax rate in 2006 is partly due to deductible deficits in one subsidiary being accounted as a tax asset after a re-evaluation of the prospects of utilising deductible deficits, and partly a tax asset in the Parent company attributable to temporary differences that was not previously considered. The higher tax rate in 2005 was a consequence of an un-accounted tax asset attributable to a loss carry-forward in a subsidiary.

HUMAN RESOURCES

As of December 31, 2006, Orc Software had 244 (207) employees. The average number of employees in 2006 was 227 (186). At year-end, the number of female employees was 48 (38) and the number of male employees equaled 196 (169). The average age of employees was 32 (32).

DIVIDEND

The Board of Directors is proposing a dividend of SEK 2 per share for 2006, corresponding to a total of SEK 30 (50) million, which is 60 (244) percent of net income.

The proposed record day for dividends is April 30, 2007. If the Annual General Meeting approves this proposal, the scheduled payment date for dividends through VPC AB is May 4, 2007.

CEO'S EMPLOYMENT TERMS

Since October 12, 2006, Orc Software's CEO Thomas Bill has received a fixed monthly salary of SEK 294 670. The maximum performance-related portion of salary is 56 percent of annual fixed salary. In addition, the CEO has premium-based pension benefits amounting to 15 percent of fixed salary.

SHARE REPURCHASE

As of year-end 2006, Orc Software held no treasury shares; 513 500 Orc Software shares were used for the acquisition of Cameron Systems in the year. The Annual General Meeting 2006 authorised the board to acquire or divest the company's shares on one or more occasions in the period until the next Annual General Meeting.

STOCK OPTION PLAN

A stock option plan for Orc Software employees was created in the fourth quarter 2006, and a new issue of 400 000 stock options was made in December 2006. The stock option plan is divided into two areas, one for employees in Sweden and one for those outside Sweden. Employees in Sweden are being offered the opportunity to acquire options at market price. Employees outside Sweden receive stock options free of charge, whose utilisation is dependent on their employment continuing until shares are subscribed. At year-end 2006, Swedish employees had subscribed for 93 700 options and 221 800 options had been reserved for apportionment to employees outside Sweden. The option premium for Swedish employees' warrants was SEK 10.02 per stock option. The exercise price of stock options is SEK 124, with a term of three years until December 31, 2009 inclusive. The issue is expected to imply maximum dilution of 2.6 percent of the shares and vote of the company. The new issue means that the share capital may increase by a maximum of SEK 40 000. The primary cost of the plan comprises payroll costs, including social costs for employees outside Sweden, and is estimated at some SEK 2.3 million over a term of just over two years.

TRANSACTIONS WITH AFFILIATED COMPANIES

As of October 1, 2005, Orc Software took over activities including 12 employees from OMX, which is developing a new front end solution, MarketOn. These employees received remuneration on market terms in 2006, with OMX meeting the costs for developing the new solution for an initial period until August 31, 2006 inclusive. In 2006, Orc Software received reimbursement of SEK 8.3 million for these expenses. Orc Software carried these expenses from September 1, 2006, onwards.

As of December 31, 2006, Orc Software sold the rights for some MarketOn software components to OMX for SEK 2.1 million.

In the year, Cameron Systems sold FIX and FAST technology to OMX Market Technology in Australia for USD 200 000.

THE PARENT COMPANY

The Parent company revenues increased by 30 percent to SEK 336 (259) million. Income after financial items amounted to SEK 46 (20) million. Liquid funds were SEK 50 (187)

million at year-end. At year-end, there were no short-term investments (SEK 164 million as of December 31, 2005). Additionally, the Parent company has an unutilised overdraft facility of SEK 20 million.

APPROPRIATION OF EARNINGS

Orc Software AB (publ)

The following funds are at the disposal of the Annual General Meeting:

	SEK
Non-restricted reserves	93 720 928*
Net unrealized gains reserve	-140 015
Net income for the year	30 426 732
Total	124 007 645

* Of which SEK 31 220 152 is attributable to share premium reserve during 2006.

The Board of Directors and chief executive officer propose that these funds are allocated as follows:

	SEK
Dividends to shareholders of SEK 2 per share, totaling	30 404 564
Carried forward	93 603 081
Total	124 007 645

The Board proposes an annual dividend of SEK 2 per share, which means that total dividends for 2006 amount to SEK 30 404 564.

In accordance with the Swedish Companies Act (2005:551), chapter 18, 4§, the Board provides the following clarifying statement on the dividend proposal:

The proposed dividend to shareholders will reduce the company's equity/assets ratio, from 58 percent to 55 percent, and the Group's equity/assets ratio to 51 percent. This equity to assets ratio, based on the knowledge that the company and the Group continue to operate profitably, is judged safe. It is the Board's conviction that the equity/assets ratio for the company and the Group can be maintained on an adequate level.

The Board estimates that the proposed dividend will not hinder the company, or other companies within the Group, from fulfilling their short-term or long-term obligations, and neither to complete required investments. The proposed dividend can thus be justified in accordance with the Companies Act, chapter 17, 3§, section 2-3 (the cautionary rule).

SIGNATURES

Stockholm, Sweden, March 29, 2007



THOMAS BILL
Chief Executive Officer



MAGNUS BÖCKER
Chairman



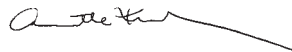
KATARINA BONDE



PATRIK ENBLAD



MARKUS GERDIEN



ANNETTE KULHIEN



ÅKE DOVÄRN

Our audit has been submitted March 29, 2007.

Ernst & Young AB



BJÖRN FERNSTRÖM
Authorized Public Accountant

Income statement Group, January 1–December 31

SEK thousands	Note	2006	2005
OPERATING REVENUE	4, 6		
Systems revenue		364 945	233 337
Other operating revenue	10	52 973	44 775
Operating revenue		417 918	278 112
OPERATING EXPENSES	5, 6		
Purchase cost of goods sold		-19 768	-15 583
External expenses			
Cost of premises		-20 493	-17 703
Telecom expenses		-6 934	-9 275
Consulting fees*		-1 248	-2 573
Other external expenses	9, 10	-79 640	-55 843
Personnel costs	7, 25	-205 383	-133 311
Work performed by the company for its own use and capitalized		6 394	-
Depreciation, amortization and write-downs	4, 8	-23 567	-16 166
Operating expenses		-350 639	-250 454
Operating income	4, 11, 17	67 279	27 658
FINANCIAL ITEMS			
Income from participation in associated companies	13	-278	92
Financial income	14	1 548	9 265
Financial expenses		-367	-3 947
Net financial income		903	5 410
Income after financial items		68 182	33 068
Tax on net income for the year	16	-17 318	-12 577
Net income for the year	11	50 864	20 491
Net income for the year attributable to the minority interest		891	410
Net income for the year attributable to the Parent company's shareholders		49 973	20 081
Earnings per share, SEK**	24	3.30	1.40
Number of outstanding shares at year-end, reduced by Orc Software's repurchase of own shares, thousands	24	15 202	14 337
Average number of outstanding shares during the year, reduced by Orc Software's repurchase of own shares, thousands	24	15 126	14 337

* Consulting fees include consulting fees for product development.

** Orc Software has options issued to employees with a maximum dilution effect of 2.6 percent. As of December 31, 2006, the options did not imply any dilution effect as the average share price did not exceed the exercise price. Orc Software has no outstanding convertible loans.

Balance sheet Group, December 31

SEK thousands	Note	2006	2005
ASSETS			
Fixed assets			
Intangible assets	18		
Capitalized development expenditure		4 729	5 964
Goodwill		171 962	476
Other intangible fixed assets		80 840	680
Tangible assets	17, 19		
Equipment		23 670	16 364
Shares in associated companies	20, 21	–	87
Available-for-sale investments	20	3 082	3 082
Other long-term financial fixed assets	20	2 338	1 670
Deferred tax receivable	16	10 572	2 027
Total fixed assets		297 193	30 350
Current assets			
Current receivables			
Accounts receivable	22	83 597	48 062
Prepaid tax	16	4 135	2 312
Other receivables	10	6 249	6 790
Prepaid expenses and accrued income	23	9 249	7 617
Short-term investments	31	765	164 852
Cash and bank balances	28, 31	73 899	61 999
Total current assets		177 894	291 632
TOTAL ASSETS	4	475 087	321 982
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11, 24		
Share capital		1 520	1 485
Other contributed capital		125 829	60 115
Reserves		–8 196	2 113
Retained earnings		136 753	126 380
Equity attributable to the minority interest		2 945	2 099
Total shareholders' equity		258 851	192 192
Long-term liabilities			
Deferred tax liability	16	51 219	26 260
Total long-term liabilities		51 219	26 260
Current liabilities			
Accounts payable	26	11 602	9 487
Tax liabilities	16	12 802	1 812
Other liabilities	10	6 747	4 273
Accrued expenses and prepaid income	27	133 866	87 958
Total current liabilities	4	165 017	103 530
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		475 087	321 982
Pledged assets		None	None
Contingent liabilities		None	None

Shareholders' equity Group, January 1–December 31

SEK thousands	2006	2005
Opening balance January 1	192 192	199 192
The effect of the implementation of IAS 39, January 1, 2005	–	–2 184
Adjusted opening balance	192 192	197 008
Dividend	–50 016	–22 729
Transfer of repurchased shares	46 215	–
New share issue	31 255	–
Fair value of Available-for-sale investments	–	–140
Market valuation hedge instruments	–144	144
Change in subsidiaries (buy-out of minorities etc.)	–412	–6 755
Change in minorities	–45	1 452
Change in associated companies	–	205
Options program	28	–
Translation difference related to intangible assets	–9 408	–58
Translation difference	–1 678	2 574
Net income for the period attributable to Parent company's shareholders	49 973	20 081
Net income for the period attributable to minority interest	891	410
Closing balance December 31, 2006	258 851	192 192
Shareholders' equity attributable to the Parent company's shareholders	255 906	190 093
Shareholders' equity attributable to the minority interest	2 945	2 099

The sum of revenue and expenses for the period, i.e. calculated as the sum of revenue and expenses, which are accounted for on the income statement and directly against shareholders' equity, amounted to SEK 40 (23) million as of December 31, 2006. Of this amount, SEK 39 (23) million is attributable to the Parent company's shareholders and SEK 0.9 (0.4) million is attributable to the minority interest.

Cash flow statement, January 1–December 31

SEK thousands	Note	Group		Parent company	
		2006	2005	2006	2005
OPERATING ACTIVITIES					
Operating income		67 279	27 658	45 429	16 923
Adjustment for items not included in cash flow					
Depreciation, amortization and write-downs	8	23 567	16 166	12 394	12 967
Other adjustments for items not included in cash flow		1 453	-3 527	8 460*	-930*
Financial items	29	1 487	5 357	1 827	6 886
Income tax paid	16	-12 492	-1 068	-14 187	1 782
Cash flow from operating activities before changes in working capital		81 294	44 586	53 923	37 628
CHANGES IN WORKING CAPITAL					
Changes in accounts receivable		-23 339	-4 149	-21 798	-3 343
Changes in operating assets		-1 189	-1 225	4 096	-2 827
Changes in accounts payable		-956	2 535	338	2 247
Changes in operating liabilities		37 943	9 301	67 819	7 695
Total change in working capital		12 459	6 462	50 455	3 772
Cash flow from operating activities		93 753	51 048	104 378	41 400
INVESTMENT ACTIVITIES					
Investments in intangible fixed assets	18	-6 394	-	-6 394	-
Investments in tangible fixed assets	19	-15 034	-6 211	-7 054	-2 719
Investments in businesses**	20, 30	-169 205	-6 853	-175 814	-10 449
Divestment of businesses		-501	-	846	-
Changes in financial fixed assets	20	-937	20 982	-48	20 350
Cash flow from investment activities		-192 071	7 918	-188 464	7 182
FINANCING ACTIVITIES					
Dividend	24	-50 016	-22 729	-50 016	-21 505
Cash flow from financing activities		-50 016	-22 729	-50 016	-21 505
Change in liquid funds		-148 334	36 237	-134 102	27 077
Opening liquid funds	31	226 851	186 166	186 597	157 210
Translation difference/exchange differences in liquid funds	31	-3 853	4 448	-2 070	2 310
Closing liquid funds	31	74 664	226 851	50 425	186 597

* Of which, for 2006, SEK 6 733 thousands, and for 2005, SEK 1 008 thousands, was attributable to untaxed reserves.

** The part of the acquisition value assignable to Cameron Systems that consists of Orc shares does not affect the cash flow for the Group.

Income statement Parent company, January 1–December 31

SEK thousands	Note	2006	2005
OPERATING REVENUE	4, 6		
Systems revenue		296 037	227 748
Work performed by the company for its own use and capitalized		6 394	–
Other operating revenue		33 459	30 777
Operating revenue		335 890	258 525
OPERATING EXPENSES	6		
Purchase cost of goods sold		–14 215	–10 456
External expenses			
Cost of premises		–8 422	–8 617
Telecom expenses		–2 345	–2 662
Consulting fees*		–	–418
Other external expenses	9	–177 208	–146 974
Personnel costs	7	–75 877	–59 508
Depreciation, amortization and write-downs	8	–12 394	–12 967
Operating expenses		–290 461	–241 602
Operating income	17	45 429	16 923
FINANCIAL ITEMS			
Financial income	14	893	10 640
Financial expenses		–213	–8 052
Net financial income		680	2 588
Income after financial items		46 109	19 511
Year-end appropriations	15	–6 733	–1 008
Tax on net income for the year	16	–8 949	–9 210
Net income for the year		30 427	9 293

* Consulting fees include consulting fees for product development.

Balance sheet Parent company, December 31

SEK thousands	Note	2006	2005
ASSETS			
Fixed assets			
Intangible assets	18		
Capitalized development expenditure		4 729	5 964
Tangible assets	17, 19		
Equipment		13 247	11 059
Financial assets	20, 21		
Shares in Group companies		273 866	19 928
Shares in associated companies		–	1 500
Other long-term financial fixed assets		3 478	4 276
Deferred tax receivables	16	1 684	117
Total fixed assets		297 004	42 844
Current assets			
Current receivables			
Accounts receivable	22	63 788	41 990
Receivables, Group companies		2 348	5 495
Receivables, associated companies		–	970
Prepaid tax	16	3 240	2 225
Other receivables		1 484	3 270
Prepaid expenses and accrued income	23	6 296	4 489
Short-term investments	31	–	164 324
Cash and bank balances	28, 31	50 425	22 273
Total current assets		127 581	245 036
TOTAL ASSETS		424 585	287 880
SHAREHOLDERS' EQUITY AND LIABILITIES			
11, 24			
Shareholders' equity			
Restricted equity			
Share capital		1 520	1 485
Restricted reserves		37 437	37 437
Non-restricted equity			
Non-restricted reserves		93 721	57 009
Net unrealized gains reserves		–140	4
Net income for the year		30 427	9 293
Total shareholders' equity		162 965	105 228
Untaxed reserves			
		99 768	93 035
Provisions			
Deferred tax liability	16	323	402
Total provisions		323	402
Current liabilities			
Accounts payable	26	8 557	8 219
Liabilities, Group companies		50 011	5 155
Tax liabilities	16	5 052	895
Other liabilities		1 110	1 130
Accrued expenses and prepaid income	27	96 799	73 816
Total current liabilities		161 529	89 215
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		424 585	287 880
Pledged assets			
		None	None
Contingent liabilities			
		None	None

Notes

NOTE 1. ACCOUNTING PRINCIPLES FOR THE GROUP

Company information

The consolidated accounts of Orc Software AB for the financial year 2006 have been prepared by the Board of Directors and the Chief Executive Officer. The Annual Report will be presented to the Annual General Meeting on April 25, 2007, for adoption. The Parent company is a Swedish public limited company, domiciled in Stockholm, Sweden.

The Group's principal business activity is to provide technology for advanced trading, market making and brokerage.

General accounting principles

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS), thus corresponding to Swedish legislation through the application of the requirements stipulated by the Swedish Financial Accounting Standards Council's recommendation RR 30:05, Supplementary Accounting Regulations for Groups, and 32:05, Reporting for Legal Entities pertaining to the Parent company.

Due to Orc Software's working methods, whereby there is a considerable overlap between sales and support work and sales and development work, Orc Software reports its results according to the principles for an income statement presented by type of cost, which is in accordance with previous principles.

Basis of preparation of the annual accounts

The consolidated accounts are based on historical acquisition values, with the exception of financial derivatives instruments, available-for-sale investments and financial assets valued at fair value via the income statement. These exceptions are reported at their fair value.

Critical accounting questions, as well as estimations and assessments

Preparing the financial reports in accordance with IFRS requires that company management make assessments, estimations and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, revenue and expenses. The estimations and assumptions are based on historical experience and a number of other factors considered reasonable under the prevailing circumstances. The results of these estimations and assumptions are then used to assess the reported values of assets and liabilities that are not easily determined from other sources. The actual outcome may differ from these estimations and assessments.

When preparing Orc Software's consolidated accounts, the Board of Directors and the Chief Executive Officer determined that the valuation of goodwill, intangible assets and accounts receivable, and the conditions for capitalization of development expenses are critical areas that may have effects on earnings and position.

IMPAIRMENT TESTS

When the Group assesses the need for impairment of goodwill, the assessment of the value in use is based on the forecast future cash flows from the cash-generating units. The impairment also includes a selected discount interest rate. The reported value of goodwill amounted to SEK 172 million on December 31, 2006 – see note 18 for further details.

USEFUL LIFE OF INTANGIBLE ASSETS

The Group has made assessments of useful life periods for brand name, client relationships and technology identified in the acquisition analysis, which affects amortization costs reported in the income statement and the valuation of assets in the balance sheet.

ACCOUNTS RECEIVABLE

As of the closing date, the Group made valuation estimates of accounts receivable in accordance with the considerations stated in the section "Loan receivables and accounts receivable." These estimates may change in future reporting periods as the Group updates its position on the conditions for obtaining payment for accounts receivable. The reported value of accounts receivable amounted on December 31, 2006, to SEK 84 million, corresponding to 18 percent of total consolidated assets.

CAPITALIZATION OF DEVELOPMENT EXPENSES

Development expenses are capitalized based on the considerations stated under "Product development costs," below. Establishing what amounts are to be capitalized requires that the Group make assessments of expected future cash flows from the assets and selection of discount interest rate for these cash flows. The Group's best assessment of the reported values of these assets at December 31, 2006, was SEK 4.7 million.

Basis of consolidation

The consolidated accounts consist of the Parent company and its subsidiaries, i.e. companies in which the Parent company has a controlling influence as well as associated companies in which the Parent company has a significant influence. The subsidiaries are consolidated in accordance with the acquisition method. Consequently, the book value for shares in subsidiaries is eliminated in the first instance against share capital in each subsidiary and thereafter against shareholders' equity. During the year, only that portion of the earnings of acquired subsidiaries from the time the company gained controlling influence until the time it no longer had controlling influence is included in the Group's income statement.

All intra-Group accounts, income, costs, profits or losses that arise in transactions between companies covered by the consolidated accounts are eliminated in their entirety.

In the consolidated accounts, current assets are classified as assets that will be realized within a maximum period of twelve months after the balance sheet date. An asset that is realized more than twelve months after the balance sheet date is classified as a fixed asset. The company classifies current liabilities as liabilities that will be paid within a maximum period of twelve months after the balance sheet date. A liability that is paid more than twelve months after the balance sheet date is classified as a long-term liability. When the criteria for assets and liabilities are not fulfilled, the items concerned are removed from the balance sheet.

Of the Group's distributable capital, 80 percent pertains to Swedish companies. Local dividend restrictions do not significantly affect the Group's dividend capacity.

ASSOCIATED COMPANIES

Associated companies are reported in accordance with the equity method. The results of associated companies are included in the Group's results with the Parent company's share of equity and are reported under financial items. The balance sheet contains the value of associated companies as a separate item. See notes 13, 20 and 21. The value changes with the Parent company's share of each respective company's earnings after tax, reduced by dividends received and sundry adjustments. Non-distributed profits in associated companies are reported in retained earnings in the Group's equity. When the holding in an associated company is reduced to zero, further losses and liabilities are only taken into consideration if the company has legal obligations to cover such losses.

MINORITY INTEREST

According to IAS 27, Consolidated and Separate Financial Statements, the minority share of income for the year shall be included in the Group's net income. In connection with the income statement, however, the reported profit

Notes

or loss pertaining to the minority shall be stated. When calculating earnings per share, the period's profit or loss pertaining to the majority is used. The minority share of equity constitutes a part of the Group's reported equity but is reported separately.

GOODWILL

As per IFRS 3, Business Combinations, goodwill has an indeterminate period of use and shall therefore not be written off. The value of goodwill shall instead be examined at least once a year in order to assess whether any need of an impairment exists. Such a test may however be made more frequently than once a year if events or circumstances arise that indicate that an impairment is required. The need for impairment arises when the recoverable amount is less than the carrying amount. The term "recoverable amount" means the lowest of either the sales value or the asset's economic use upon continued operation. An impairment is reported in the income statement. Goodwill is thereby reported at acquisition value less any impairments and represents the part of the acquisition cost that exceeds the fair value on the date of acquisition of the identifiable net assets in acquired companies. See note 18.

BUSINESS COMBINATIONS

IFRS 3, Business Combinations, is applied to the acquisition of business operations and implies that the fair value of identifiable assets and liabilities in the acquired business operations is established at the time of acquisition. These fair values also include shares in assets and liabilities that pertain to any minority owners in the acquired business. Identifiable assets and liabilities also include assets, liabilities and provisions, including obligations and claims from outside parties that are not reported in the balance sheet of the acquired business. Provisions are not made for expenses pertaining to planned reorganization measures upon an acquisition. The difference between the acquisition value and the acquired share of net assets in the acquired business is classified as goodwill and is reported as an intangible asset in the balance sheet.

BUY-OUT OF MINORITIES

When Orc Software bought shares from minority shareholders, the company considered this as being a transaction between shareholders and subsequently applied what is known as the Entity Concept Method. This method implies that profits or losses do not arise in the consolidated income statement upon the purchase or sale of shares, where Orc Software both before and after the transaction has a controlling influence. The transaction is instead reported directly against equity.

CONVERSION OF FOREIGN CURRENCIES

Transactions in foreign currencies are converted to the functional currency as per the rate of exchange prevailing on the day of transaction. Receivables and liabilities expressed in foreign currencies are converted at the rate of exchange prevailing on the balance sheet date. See note 11.

TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

Items included in the financial reports for the Group's various entities are valued in the currency used in the financial environment where each respective company's principal business activities are conducted (functional currency). Subsidiaries have their respective country's local currency as their functional currency. The consolidated accounts are stated in Swedish kronor (SEK), which is the Parent company's functional currency and reporting currency.

The current method has been used for the translation of the financial statements of foreign subsidiaries, which means that the respective balance sheets are converted into Swedish kronor at the rate on the balance sheet date, while entries on the income statement are translated using an average foreign exchange rate for the year. The differences arising due to the translations do not impact the income statement, but are instead booked directly to shareholders' equity.

Goodwill and other surplus values that arise upon the acquisition of foreign operations are treated as an asset in such operations and are converted to Swedish kronor at the rate of exchange prevailing on the balance sheet date.

SHARE-RELATED COMPENSATION

The Extraordinary Annual General Meeting on December 11, 2006 resolved to introduce a stock options program for the benefit of Orc Software employees. The stock options program is reported in accordance with IFRS 2, Share-based payment. The stock options program is divided into two subprograms – one for employees in Sweden and one for employees outside Sweden. Employees in Sweden are invited to acquire warrants at market price. Employees outside Sweden receive consideration-free stock options, which may be exercised if the holder is still employed at the time of share subscription.

For employees who acquire options at fair value, no benefits have arisen and therefore no personnel cost for these options will be charged against the income statement. The option premium paid for the options increases the Group's liquid funds and equity by the corresponding amount. Payment for the option premium became due on January 31, 2007.

The options allocated to employees without consideration are considered a benefit and are expensed in the income statement in accordance with IFRS 2.

IFRS 2 distinguishes between share-related compensation that is paid in cash and share-related compensation that is paid in shares. Orc Software's program pertains to compensation paid in shares, which implies that fair value of the option and the time of allocation, multiplied by the number of options allocated, is expensed over the vesting period of two years. The corresponding amount is reported as an increase in equity. The number of options allocated is reduced by the estimated personnel turnover. Any employment terminations, and the estimated personnel turnover, shall be taken into consideration every time a valuation is made, and any adjustments shall be reported as an increase or decrease in personnel costs. However, no adjustment shall be made with respect to the fair value of the options.

In accordance with URA 46, estimated social security expenses are calculated in the corresponding manner. The rate charged for social security fees or their equivalent in the country in which the option holder resides, is multiplied with the market value of options allocated on the valuation date. After taking estimated personnel 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 of the reported cost of social security fees.

Fair value has been calculated by an independent valuation company that has applied the Black-Scholes valuation model. A description of the terms of conditions of the options program, and of the parameters used in the valuation and the background of these parameters, can be found in note 25.

EARNINGS PER SHARE

In accordance with IAS 33, Earnings per share, earnings per share shall be stated before and after dilution. Earnings per share after dilution take into account options on the company's shares that may give rise to a dilution effect upon being exercised. Options only give rise to a dilution effect when the average share price during the period exceeds the strike price of the options.

Product development expenses

According to the basic principles, expenses for research and development of existing market connections and applications as well as client applications are expensed on a continuous basis. Expenses for the development of new products should, however, be capitalized based on the principles accounted for below.

Notes

Expenses for development of new products are reported as intangible assets when they meet the following criteria:

- the asset will most likely lead to future financial advantages for the Group,
- the acquisition value may be calculated in a reliable way,
- the company aims to complete the asset, and
- the company has technical, financial and other resources for completing the development, utilizing or selling the asset.

Significant documents for verifying completed capitalization may be business plans, budgets, results and assessments of future results.

The acquisition value for accrued intangible assets is the sum of the expenses arising at the time the intangible asset met the criteria stated above up until the asset is completed and can start to be used. The accrued intangible assets are amortized linearly during the period of use as they are completed. Accrued intangible assets are accounted for at acquisition value with deductions for accumulated amortizations as well as any impairments. A necessary impairment is determined when events or changes in conditions indicate that the value might not be recovered.

These intangible assets are stated as Capitalized development expenditure and have an estimated period of use of 36 months.

Work on assets capitalized as intangible fixed assets is accounted for under Work performed by the company for its own use and capitalized, on the income statement. The item mainly relates to personnel costs, cost of premises and external expenses for consulting services. Work performed by the company for its own use and capitalized is recognized as a cost reduction in the income statement for the Group. During the financial year the Group's total expenses for development amounted to SEK 87 million of which SEK 6.4 million was capitalized. See notes 5 and 18.

Other intangible fixed assets

The entry Other intangible fixed assets entirely refers to Cameron Systems and Orc ExNet. This entry is valued at acquisition value with deductions for accumulated amortizations and any write-downs. A necessary write-down is determined when events or changes in conditions indicate that the value might not be recovered. See note 18.

Other intangible assets pertaining to Cameron Systems consist of brand name, client relationships and technology, and are amortized during their useful life, which is estimated as 60, 120 and 180 months, respectively. Other intangible assets pertaining to Orc ExNet were, at December 31, 2006, amortized in their entirety.

Tangible fixed assets

Tangible fixed assets are valued at their acquisition value less accumulated depreciation and any necessary write-down. A necessary write-down is determined when events or changes in conditions indicate that the value might not be recovered.

Linear depreciation is applied over the asset's useful life, in accordance with the following:

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

Capitalized improvement expenses for leased premises are depreciated during the duration of the leasing agreement.

Orc Software determines at each year-end if there are any indications that an asset has decreased in value. If this is the case, the asset's recovery value is calculated and the asset is written down to the recovery value. See note 19.

The depreciation method and useful life periods of the tangible fixed assets are also reviewed each year. Should a significant change have taken place, it shall be considered as a change in estimation and assessment and shall be reported in accordance with IAS 8, Accounting Principles, Changes in Accounting Estimates and Errors.

Financial assets and liabilities

Financial assets covered by IAS 39, Financial instruments: Recognition and Measurement shall be classified in one of the following classes: financial assets and liabilities valued at fair value through profit or loss, investments held to maturity, loans and receivables, and available-for-sale investments. Financial assets and liabilities are recognized at the time of acquisition at their fair value including transaction costs that are directly related to the acquisition. Exceptions to this rule are transaction costs related to financial assets and liabilities that are classified as financial assets and liabilities valued at fair value through profit or loss where the transaction cost is not included in the acquisition cost.

FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities in the form of derivatives and embedded derivatives are reported at fair value through profit or loss in those cases where hedging accounting is not applied. The effect on results is reported as Other operating income and Other external costs.

The fair value of the derivatives contracts is reported gross in the balance sheet as derivatives assets or derivatives liabilities in the balance sheet items Other assets and Other liabilities. The same application takes place for embedded derivatives in Orc Software's client and supplier contracts in third-party currencies.

As of January 1, 2005, exchange-rate profits and exchange-rate losses are reported gross in the income statement if such transactions are not of a similar character.

The fair value of derivatives traded in an active market has been established through quoted rates of exchange.

INVESTMENTS HELD TO MATURITY

Orc Software's short-term investments are valued at amortized cost since they normally will not be redeemed prematurely. Returns from short-term investments are recognized as financial income in the income statement for the Group.

LOANS AND RECEIVABLES

Loans are financial assets that are not derivatives, and that have fixed or fixable payments and that are not quoted on an active market. These financial assets are recognized after the acquisition date at the amortized cost. Profits and losses are included in the income statement when the loan or receivable is removed from the balance sheet or until the value of the financial asset is written down. Receivables are initially recognized at the invoiced amount. A provision is made for doubtful receivables when it is no longer probable that the full amount will be recovered. Doubtful receivables are depreciated in their entirety when the loss has been clearly established.

Notes

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are non-derivatives investments that are designated as available for sale or not classified in one of the other classes. These financial assets are recognized after the date of acquisition at their fair value via equity until such time as the asset is removed from the balance sheet or until the value of the asset is written down.

Long-term shareholdings, which are not shares in subsidiaries or associated companies, have been classified in this category. These financial assets are not quoted on an active market. The fair value has therefore been established at the latest price communicated, which implies the issue price or similar.

Recognition of derivatives and hedge accounting

When hedge accounting is applied, derivatives are classified as cash flow hedges. In order to fulfill the requirements of hedge accounting as per IAS 39, a clear connection with the hedged item is required. Furthermore, it is required that hedging effectively protects the hedged item, that hedging documentation be prepared, and that the effectiveness can be measured.

HEDGING OF ANTICIPATED FLOWS – CASH FLOW HEDGES

Currency exposures regarding future anticipated flows are hedged through currency forward exchange contracts in accordance with the company's finance policy. Currency forward exchange contracts that protect the forecasted flow are recognized in the balance sheet at fair value. In those cases where hedge accounting is applied for anticipated flows, the changes in value are reported directly against the Net unrealized gains reserve in equity reserves. The fair value is recognized in equity until the hedged flow reaches the income statement or the hedged future cash flow concerns a transaction that is capitalized in the balance sheet. When such occurs, the Net unrealized gains reserve is dissolved because the hedged item is recognized in the balance sheet. When a hedging instrument falls due, is sold, dissolved or redeemed, or the company breaks the identification of the hedging relationship before the hedged transaction has occurred, and the anticipated transaction is still expected to occur, the recognized accumulated profit or loss in the Net unrealized gains reserve in equity remains and is recognized in the same way as above when the transaction occurs. If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated profits or losses are immediately redeemed in the income statement.

Leasing

Leasing may be classified as either financial or operational leasing. Financial leasing exists when the significant financial risks and advantages associated with the ownership of an asset are transferred from the lessor to the lessee. All other cases refer to operational leasing. In the case of operational leasing, the leasing fee is expensed during the leasing period starting from the point of utilization. Orc Software has only operational leasing obligations in regards to the leasing agreements for premises and leasing of hardware for clients. See note 17.

Leasing revenue for leased hardware is accrued and recognized as revenue during the life of the agreement. Costs related to the leasing revenue are entered as they are realized. Depreciation takes place according to the same principle as for the Group's other assets in the same class. Leasing contracts mainly follow the client agreement terms and are invoiced quarterly in advance.

Revenue recognition

Revenue is reported in the income statement when it is probable that the company will receive future financial advantages and that these advantages can be calculated in a reliable way. The Group's revenue consists of systems revenue, hardware sales, consulting revenue and other revenue.

SYSTEMS REVENUE

Sales of software program licenses

The Group's reported net revenue primarily pertains to software program licenses. Invoicing takes place quarterly in advance and revenues are allocated over the quarter pertaining to the invoice.

Sales of Orc Liquidator

Sales of Orc Liquidator took place in 2006 in accordance with Orc Software's traditional business model, whereby invoicing takes place per quarter, in advance, and revenues are allocated over the quarter pertaining to the invoice. At the beginning of 2005, initial payments from the sale of Orc Liquidator were received in conjunction with completed delivery.

Transaction-based revenue

A portion of the revenues for Orc ExNet are transaction-based. These revenues are allocated to the quarter in which the transaction took place.

Sales of Cameron FIX gateway

There are two revenue models for Cameron FIX gateway.

In one of them, Cameron Systems receives an initial payment for the sale of Cameron FIX gateway upon completed delivery. Subsequently, the client is charged an annual license fee.

With the second model, Cameron Systems charges for a monthly license fee. Cameron Systems is endeavoring to persuade more customers to use this license model, since it reflects Orc Software's software license model.

HARDWARE SALES

The revenue is recognized when the significant risks and advantages associated with the right of ownership of the product have been transferred to the buyer and when the revenue amount can be calculated in a reliable way.

CONSULTING REVENUE

The designated time frame for these consulting services is normally short and the revenue is recognized after the assignment has been completed.

For certain assignments, Orc Software follows the percentage of completion method. According to this method, revenue and expenses for an assignment are accounted for in relation to the assignment's degree of completion on the balance sheet day.

The following conditions shall be met:

- the income can be calculated in a reliable manner,
- it is probable that the contractor will receive the financial advantages that are associated with the service assignment,
- the degree of completion can be calculated in a reliable manner and
- the expenses incurred and the remaining expenses for the completion of the service assignment can be calculated in a reliable manner.

Notes

Criteria that may indicate a classification as “professional services” are as follows:

- system software is not sold without services,
- the agreement contains milestones and payments conditional upon the client’s acceptance at the various stages,
- services included in the agreement cannot be purchased from other suppliers,
- the system software is marketed as specifically tailored to the client rather than a standard product and
- the services mainly represent all the work completed prior to installation.

The degree of completion is calculated based on an estimate of how much work remains before the assignment is completed in relation to the total estimated time and the starting point stated in the project plan. When the project is completed the client begins to pay monthly license fees and this revenue is reported for in the same way as other sales of software program licenses.

Reporting by segment

According to IAS 14, Segment Reporting, companies must provide information about their activities’ various segments, operating entities and geographical areas.

Orc Software’s risks and opportunities are mainly influenced by the company being operational within different geographical areas based on the location of clients. This determines the primary segment division of the geographical areas. Orc Software’s products and services are of similar character, are aimed at similar client groups, distributed in a similar manner and have a similar production process. In this way the business consists of only one operating structure and information regarding the classification of the operating structure is therefore not provided. Due to this Orc Software does not have any secondary segment division.

The local operations consist primarily of sales and support activities and in certain cases development. Functions such as Group management, legal, human resources, accounting and administration, marketing, development, etc., are located centrally and are considered joint Group resources. This means that a major part of the Group’s expenses cannot be attributed to a specific geographical area in a reliable manner and they therefore remain unallocated. All intra-Group transactions are of such nature that they may not be assigned to any segment. As far as possible, Group assets have been allocated to the appropriate segment, however, goodwill and intangible fixed assets at Group level, for example, cannot be attributed to a specific geographical area in a reliable manner and therefore remain unallocated. See note 4.

Cash flow statement

The cash flow statement shows the Group’s and the Parent company’s payments received and payments made during the period, distributed as operating activities, investment activities and financing activities. This analysis can be helpful in an assessment of the Group’s ability to generate liquid funds. The cash flow statement is prepared in accordance with the indirect method. This means that the net result of payments received and made in the ongoing operations is adjusted for the following:

- the change in accounts receivable and accounts payable, and other operating assets and liabilities during the period,
- items not affecting cash flow, such as depreciation and amortization, provisions and deferred taxes,
- all other items whose effect on cash flow is attributable to investing or financing operations.

Liquid funds in the cash flow statement include investments that can be easily converted to a known amount, are exposed to an insignificant risk and have a short duration. The durations of Orc Software’s current investments are set out in note 31.

Information about affiliated companies

Affiliated companies are those that have a direct or indirect significant influence on Orc Software. Subsidiaries and associated companies are also defined as affiliated companies.

Affiliated related parties include members of the Board, senior executives and close family members of such parties.

Details are provided of transactions with affiliated companies and people when such implies that resources, services or obligations are transferred among them, irrespective of whether any remuneration is paid or not. This information contains a description of the character of the close relation, as well as the effect on the financial statements that such relation may have.

All transactions with affiliated companies and parties are carried out according to current business principles. See note 6.

Income tax

The tax cost in the consolidated income statement consists of current tax and deferred tax. The deferred tax arises through a temporary difference between the taxable values in the companies and the accountable values in the Group. The deferred tax primarily arises from year-end appropriations in the Swedish companies and the deferred tax liability in connection with the acquisition of Cameron Systems. See note 16.

NOTE 2. ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY

Differences between the Group’s and the Parent company’s accounting principles are motivated by the restrictions that the Swedish Annual Accounts Act implies in the implementation of IFRS in the Parent company, as well as the tax regulations that enable different reporting for a legal entity than for the Group.

Untaxed reserves

Fiscal legislation in Sweden enables companies to defer the payment of taxes through an allocation of the income statement item known as year-end appropriations to untaxed reserves in the balance sheet. The Parent company can subsequently report untaxed reserves in the balance sheet and year-end appropriations in the income statement. These items are treated in the consolidated balance sheet as temporary differences, implying that a division is made between deferred tax liability and equity. In the consolidated income statement, the allocation to or the reversal of untaxed reserves is divided between deferred tax and the year’s profit or loss.

Group companies

Shares in Group companies are reported in the Parent company at acquisition value reduced by any write-down made.

Associated companies

Shares in associated companies are reported in the Parent company in accordance with the cost method. Dividends received are reported in the income statement under the condition that they originate from profits earned after the acquisition. On the other hand, should the dividend pertain to the repayment of equity, such shall reduce the acquisition value. The value is reviewed at least once a year with regard to any potential need to write-down the item.

Division between non-restricted and restricted equity

No division is made in the consolidated balance sheet in regard to non-restricted and restricted equity, which however is done in the Parent company, in accordance with the Swedish Annual Accounts Act.

Notes

Work performed by the company for its own use and capitalized

Work performed by the company for its own use and capitalized is reported in the Parent company as revenue in accordance with the Swedish Annual Accounts Act. On the other hand, work performed by the company for its own use and capitalized is reported as a cost-reduction in the consolidated accounts in accordance with IFRS.

Presentation of balance sheet, income statement and terminology

The presentation and terminology of the Parent company's and the Group's income statement and balance sheet differ in view of the Group following IAS 1 and the Parent company following the Swedish Annual Accounts Act and the requirements of RR 32:05, Reporting for Legal Entities and RR 30:05, Supplementary Accounting Regulations for Groups.

NOTE 3. CHANGES IN ACCOUNTING PRINCIPLES

The Group has applied the same accounting principles as in the preceding year, with the exception of the following:

The Group applies the following new and changed IFRS and IFRIC interpretations for 2006. Compliance with the standards and the interpretations has not had any significant effect on the consolidated financial statements.

- IAS 19, Employee Benefits (change)
- IAS 21, The Effects of Changes in Foreign Exchange Rates (change)
- IAS 39, Financial Instruments: Recognition and Measurement (change)
- IFRIC 4, Determining Whether an Arrangement Contains a Lease
- IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds
- IFRIC 6, Liabilities arising from Participating in a Specific Market
 - Waste Electrical and Electronic Equipment

The following standards and interpretations do not apply for the 2006 fiscal year. However, they are expected to impact on coming reporting periods:

- IFRS 7, Financial Instruments: Disclosures
- IAS 1, Presentation of Financial Statements (change)
- IFRS 8, Operating Segments

IFRS 7 – Financial Instruments: Disclosures

This new standard demands that the company disclose information that will enable users to evaluate the company's financial instruments and the risks related to them. IFRS 7 shall be applied for the fiscal year beginning on January 1, 2007.

IAS 1 – Presentation of Financial Statements

An addition to IAS 1 demands that the company provide information that will enable users of its financial reports to assess the company's asset management aims, principles and methods. The addition shall be applied for the fiscal year beginning on January 1, 2007.

IFRS 8 – Operating Segments

This standard implies increased disclosure requirements regarding reporting of operating segments that may consist of products and services or geographic areas or a combination of both. The operating segments may be presented in accordance with the principles that management applies to operational control. IFRS 8 shall be applied for the fiscal year beginning on January 1, 2009.

NOTE 4. REPORTING PER SEGMENT

The principles for Orc Software's segment reporting are described in note 1.

Only the portion of the liquid funds that is used in the operational business for each segment has been divided.

REVENUE PER SEGMENT

SEK thousands	2006	2005
Europe	271 554	202 463
Americas	78 544	27 009
Asia/Australia	54 229	29 817
Other	13 591	18 823
Total	417 918	278 112

REVENUE PARENT COMPANY

SEK thousands	2006	2005
Europe	238 570	188 837
Americas	42 973	24 865
Asia/Australia	40 576	26 933
Other	13 771	17 890
Total	335 890	258 525

OPERATING INCOME PER SEGMENT*

SEK thousands	2006	2005
Europe	163 951	126 619
Americas	37 222	7 312
Asia/Australia	22 133	7 857
Other	-156 027	-114 130
Total	67 279	27 658

* Income for the geographic segments are reported before joint Group costs.

ASSETS PER SEGMENT

SEK thousands	2006	2005
Europe	108 438	73 994
Americas	33 523	10 494
Asia/Australia	40 349	14 789
Other	292 777	222 705
Total	475 087	321 982

LIABILITIES PER SEGMENT

SEK thousands	2006	2005
Europe	71 009	62 900
Americas	23 488	7 664
Asia/Australia	22 557	8 212
Other	47 963	24 754
Total	165 017	103 530

INVESTMENTS IN TANGIBLE ASSETS

SEK thousands	2006	2005
Europe	4 540	2 153
Americas	867	850
Asia/Australia	2 133	521
Other	7 494	2 687
Total	15 034	6 211

Notes

NOTE 4. Cont.

DEPRECIATION OF TANGIBLE ASSETS

SEK thousands	2006	2005
Europe	-1 947	-889
Americas	-695	-455
Asia/Australia	-592	-357
Other	-4 570	-5 899
Total	-7 804	-7 600

NOTE 5. DEVELOPMENT EXPENSES

SEK thousands	2006	2005
The year's development work	86 731	65 792
The year's amortization of development work	5 527	7 824
The year's write-down of development work	2 103	-
Total development expenses	94 361	73 616

NOTE 6. TRANSACTIONS WITH AFFILIATED COMPANIES

Compensation to the Chairman of the Board, the Board members and executive management are reported in note 7.

Purchases

During the period in which Promyzer AB was an associated company of Orc Software, Promyzer leased a server room from OMX Market Technology AB. The lease on these premises was terminated on October 31, 2006.

PURCHASES AND SALES BETWEEN THE PARENT COMPANY AND OTHER GROUP COMPANIES

Of the Parent company's purchases for the year, SEK 134 088 (111 231) thousands represents purchases from other Group companies. Of the Parent company's sales for the year, SEK 317 (1 204) thousands represents sales to other Group companies.

Agreements

OMX Market Technology AB, which owns 30 percent of Orc Software, and Orc Software AB entered into an agreement at the end of September 2005 for the development of a new front office product for trading equities and derivatives. As a result, Orc Software AB took on the responsibility for 12 employees from OMX. These employees receive market-based salaries. For an initial period, until August 31, 2006, OMX was responsible for the costs. In 2006, Orc Software received compensation amounting to SEK 8.3 million for these costs. As of September 1, 2006, Orc Software has been responsible for the costs.

On December 31, 2006, Orc Software sold rights pertaining to software components relating to MarketOn to OMX for SEK 2.1 million. As of December 31, 2006, there are no assets or liabilities over and above this sale.

In 2006, Cameron Systems sold FIX and FAST technology to OMX Market Technology in Australia for USD 200 000.

NOTE 7. PERSONNEL

AVERAGE NUMBER OF EMPLOYEES

	2006		2005	
	Total	Of which women	Total	Of which women
Sweden	75	17	66	16
<i>of which Parent company</i>	71	15	62	15
Australia	15	4	6	1
Hong Kong	9	1	6	0
India	20	6	10	2
Italy	11	1	10	1
Canada	8	1	6	0
Russia	40	6	44	6
UK	21	4	17	4
Germany	6	1	6	1
USA	18	2	10	3
Other countries	4	1	5	1
Total average number of employees	227	44	186	35

SALARIES, OTHER REMUNERATION AND SOCIAL COSTS

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Board members and Management	15 911*	7 231*	12 008	7 231*
Other employees	140 217	95 990	38 940	35 573
Total salaries and other remuneration	156 128	103 221	50 948	42 804
Social costs pertaining to salaries and bonuses	38 492	24 617	16 825	14 344
Pension costs	6 786**	3 096**	5 503**	2 374**
Total social costs	45 278	27 713	22 328	16 718
Total salaries, other remuneration and social costs	201 406	130 934	73 276	59 522

* Of which bonuses of SEK 4 504 (490) thousands.

** Of which Management SEK 1 877 (691) thousands.

Decision and preparation process

The Board has a Remuneration Committee with representatives from the Board and a reporting representative from the company. The Remuneration Committee prepares and discusses proposals regarding incentive programs, benefits and salaries, including sales commissions and bonuses, for Orc Software's Chief Executive Officer, Group management and in general for other employees. In regard to remuneration for Executive Vice Presidents, the Chief Executive Officer issues a proposal to the Remuneration Committee, which then presents the proposal to the Board. In all cases, the Board makes the final decisions.

Proposals regarding Board remuneration are proposed by the Nominating Committee and the Annual General Meeting makes the final decision.

Notes

Incentive scheme

During 2006, Orc Software's employees including the Group management, have had the possibility of receiving a bonus. Bonus allocation is calculated based on a percentage of the financial targets set by the company's Board of Directors. A bonus, including social costs, of SEK 11.6 (1.9) million has been issued for 2006. The Board of Directors' Remuneration Committee has prepared the program.

Defined-contribution pension plan

The Group has only defined-contribution pension plans. Previously, Orc Software's employees in Sweden only had the possibility for pension savings through gross salary deductions; however, as of July 1, 2005, this model has been supplemented with a traditional pension plan for all employees in Sweden over 27 years of age, with the exception of Thomas Bill and Jonas Lindström. The plan has been implemented in stages and will be fully implemented as of January 1, 2007. The employees who moved from OMX to Orc Software AB on October 1, 2005, previously had similar pension plans, which continue to be valid at Orc Software AB. The pension expense is related to the cost that affects the year's income.

Specification of remuneration to the Board

The Annual General Meeting 2006 resolved that for the period until the next Annual General Meeting, in 2007, the compensation for the Chairman of the Board shall amount to SEK 300 (300) thousands and for each Board member to SEK 150 (150) thousands. Compensation to the members of the Board, including social costs, has for 2006 been expensed to SEK 1 596 (1 480) thousands, consisting of SEK 398 thousands for the Board fee for 2005 and SEK 1 198 thousands for 2006, of which SEK 429 (370) thousands is attributable to the Chairman of the Board and SEK 1 167 (1 110) thousands to other Board members.

Orc Software's Board of Directors consisted of 4 (5) men and 2 (2) women as of December 31, 2006.

Specification of salaries and other remunerations for Group management

On December 31, 2006, Orc Software's Group management consisted of the Chief Executive Officer and eight other members.

2006 SEK thousands	Salary	Bonus	Pension*	Severance pay**	Period
CEO Thomas Bill	892	378***	131	–	October 1–December 31
CEO Jonas Lindström	3 497	–	450	1 680	January 1–February 23
EVP/CEO Lars Johansson	2 691	1 955	314	1 250	January 1–December 31
EVP Joakim Johansson	653	–	34	848	January 1–January 26
Other members	7 095	2 171	948	–	
Total	14 828	4 504	1 877	3 778	

* Of which SEK 160 thousands represents gross salary deductions for Lars Johansson and SEK 184 thousands represents gross salary deductions for the other members of Group management.

** Of which SEK 1 680 thousands represents six months' salaries for Jonas Lindström, SEK 1 250 thousands five months' salaries for Lars Johansson, SEK 848 thousands for Joakim Johansson represents SEK 780 thousands for six months' salaries and SEK 68 thousands for pension premiums.

*** Pertains to allocated amount calculated as the maximum amount that can be paid. The amount will be established and paid first after the end of the 2007 fiscal year.

As of December 31, 2006, Orc Software's Group management consisted of 89 percent men and 11 percent women.

2005 SEK thousands	Salary	Bonus	Pension*
CEO Jonas Lindström	3 052	350	450
EVP Lars Johansson	1 538	140	192
EVP Joakim Johansson	1 646	–	49
Total	6 236	490	691

* Represents gross salary deduction for all persons.

As of December 31, 2005, Orc Software's Group management consisted of 100 percent men.

HEALTH INSURANCE

All members of the Group management who are employed in Sweden** receive health insurance as a supplement to public health care. The insurance provides the Group management with access to health care and specialists as needed. Members Annie Walsh, Martin Koopman, Joakim Wiklander and Hugh Stables receive insurance that provides compensation for specific types of care.

** Thomas Bill, Lars Johansson, Fredrik Skogby and Jan Hallsenius.

OPTION HOLDINGS

A stock options program for employees of Orc Software was launched in the fourth quarter of 2006. Under this program, Thomas Bill and Fredrik Skogby acquired options at market value and consideration-free options were distributed to Hugh Stables, Joacim Wiklander, John Cameron, Annie Walsh and Martin Koopman. See note 25.

SEVERANCE PAY

Severance pay agreements for the other members of Group management exists only for Jan Hallsenius and Fredrik Skogsby. In the event of termination by the company, they will receive a deductible severance pay equal to six months' fixed salary.

EMPLOYMENT CONDITIONS FOR CEO THOMAS BILL

Thomas Bill's employment is permanent until further notice, but up to a maximum of 67 years of age.

Fixed monthly salary

A fixed salary of SEK 295 thousands per month.

Notes

NOTE 7. Cont.

Pension

An undisputable premium based pension benefit, which amounts to 15 percent of fixed salary, is payable to the CEO. Pension deductions are in effect until further notice, but up to a maximum of 67 years of age.

Variable salary

The CEO has the possibility of receiving a variable salary as a bonus. Two-thirds of the CEO's variable salary represents a financial target, which has been set by the company's Board, and one-third represents discretionary targets. The total variable salary for 2006 and 2007 may amount to not more than 56 percent of annual fixed 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 current tax rules.

Notice period, termination salary and severance pay

In the event of termination by the company, a notice period of 12 months applies. In the event of termination by the CEO, a notice period of 6 months applies. During the notice period, the CEO receives a remuneration corresponding to fixed salary and other benefits. If termination has been initiated by the company, the CEO receives severance pay equal to six months' fixed salary.

Non-competition clause

The CEO has a non-competition clause of 12 months. During this time, the CEO will receive compensation from the company each month. The compensation shall not exceed 100 percent of the fixed monthly salary at the time employment is terminated. Deductions will be made for any salary received from a new employer and for severance pay and pension paid. 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 ordinary working hours. Ordinary working hours consist of planned and scheduled working hours including vacation and leave of absence.

SICK LEAVE AS A PERCENTAGE OF SCHEDULED ORDINARY WORKING HOURS PER CATEGORY

	2006	2005
Men	0.9	1.1
Women	15.1	16.0
Employed –29 years of age	1.2	1.1
Employed 30–49 years of age	5.3	5.5
Employed 50– years of age*	–	–
Total sick leave	4.2	4.7

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

There are over 60 days of sick leave in the category for women and the percentage for sick leave is relatively high, given that the number of people included in this category is low.

Sick leave over 60 days as a percentage of total sick leave: 74.3 (74.1).

NOTE 8. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Amortization of other intangible fixed assets	–8 134	–742	–	–
Depreciation of tangible fixed assets	–7 804	–7 600	–4 764	–5 143
Amortization of capitalized development expenditure	–5 527	–7 824	–5 527	–7 824
Write-downs	–2 103	–	–2 103	–
Total depreciation, amortization and write-downs	–23 567	–16 166	–12 394	–12 967

NOTE 9. OTHER EXTERNAL EXPENSES

Other external expenses mainly consist of travel, marketing, insurance, legal and consulting expenses. Other external expenses also include an earnings effect related to derivatives assets and derivatives liabilities, see note 10, as well as audit fees.

Audit fees

The following compensation has been paid to auditors and audit firms for the annual financial audit and other reviews according to the law as well as for advice and other assistance based on the observations of the reviews (Audit assignments). Compensation has also been paid for other independent advice (Other assignments), which for the most part consists of ongoing tax consultancy.

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
<i>Ernst & Young</i>				
Audit assignments	733	400	706	379
Other assignments	148	147	148	144
<i>KPMG</i>				
Audit assignments	724	–	–	–
Other assignments	122	–	122	–
<i>Harmer Slater</i>				
Audit assignments	105	43	–	–
Other assignments	48	13	–	–
<i>Graeme Green</i>				
Audit assignments	44	60	–	–
<i>RSM Nelson Wheeler</i>				
Audit assignments	24	19	–	–

NOTE 10. DERIVATIVES ASSETS AND DERIVATIVES LIABILITIES

Value changes related to forwards are accounted for under Other operating revenue and Other external expenses. The net income effect for the period January–December 2006 amounted to SEK 2.6 (–5.6) million.

Value changes attributable to embedded derivatives regarding client and supplier contracts entered into in a third-party currency are accounted for under Other operating revenue and Other external expenses. The net income effect for the period January–December 2006 amounted to SEK –2.0 (4.4) million.

Derivatives assets are accounted for under the item Other assets and amounted to SEK 1.2 (1.6) million as of December 31, 2006, while derivatives liabilities are accounted for as Other liabilities and amounted to SEK 0.8 (0.6) million as of December 31, 2006.

Notes

NOTE 11. FOREIGN EXCHANGE EFFECTS

FOREIGN EXCHANGE RATES (AGAINST SWEDISH KRONOR)

	Average day rate January–December		Closing day rate December 31	
	2006	2005	2006	2005
USD	7.38	7.48	6.87	7.95
EUR	9.25	9.28	9.05	9.43
GBP	13.58	13.58	13.49	13.73
DKK	1.24	1.25	1.21	1.26
AUD	5.55	5.70	5.44	5.83
CHF	5.88	6.00	5.63	6.06
CAD	6.50	6.18	5.92	6.84
HKD	0.95	0.96	0.89	1.03
JPY	0.0635	0.0678	0.0578	0.0678

FOREIGN EXCHANGE DIFFERENCES CONTAINED IN OPERATING INCOME

SEK thousands	Group	
	2006	2005
Relating to current operations	-5 988	4 895
Total foreign exchange differences in operating income	-5 988	4 895
Foreign exchange differences in financial items	-	-57
Total foreign exchange differences affecting income after financial items	-5 988	4 838

FOREIGN EXCHANGE DIFFERENCES CONTAINED IN SHAREHOLDERS' EQUITY

	2006	2005
Change related to translation difference in foreign subsidiaries	-1 678	2 574
Change related to translation differences in intangible fixed assets	-9 408	-58
Total change in foreign exchange differences in shareholders' equity	-11 086	2 516

NOTE 12. FINANCIAL RISK MANAGEMENT

Given the nature of the business, the Group is exposed to risk in financial instruments such as liquid funds, short-term investments and foreign exchange forward contracts. The Group also has other financial instruments such as accounts receivable and accounts payable that arise in the ordinary course of business. Risks related to these instruments are mainly:

- Foreign exchange risks related to cash flow in foreign currencies
- Interest-rate risks related to liquid funds and short-term investments
- Credit risks related to financial activities

Foreign exchange risk is the risk for a change in the value of a financial instrument due to changes in exchange rates. Orc Software's accounting is in Swedish kronor, but the Group conducts operations in countries throughout the world. 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 variation in the value of a financial instrument due to interest rate changes in the market. The interest-rate risk is described in note 31.

Credit risk measures the risk of a counterpart being unable to fulfill its obligations in a financial instrument transaction, thereby causing a loss to the other party. The Group's credit risk is described in note 22, which also provides information regarding substantial risk concentrations.

Foreign exchange risks

TRANSACTION EXPOSURE

The majority of Orc Software's invoicing to clients in the Nordic countries takes place in Swedish kronor. Clients 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 as well as to some extent in British pounds. The Group has significant exposure in US dollars and euros, for which invoicing exceed expenses, as well as in British pounds where expenses exceed revenue since the invoicing for UK clients is primarily denominated in US dollars.

The Group's exposed net inflow amounted to approximately SEK 103 million in 2006, allocated as shown in the table below.

Inflows 2006	SEK million
EUR	71
USD	71
DKK	2
Total	144

Outflows 2006	SEK million
GBP	-23
HKD	-15
CHF	-1
CAD	-1
AUD	-1
Total	-41

The effect of foreign exchange hedges on income at an operating level equals SEK 2.6 (-5.6) million.

In accordance with the Group's policy, significant net exposure in each respective currency is hedged for the coming 3–12 months, with a certain possibility of deviation in special cases. As of December 31, 2006, future flows equivalent to SEK 40 (42) million had been hedged, consisting of USD 3.0 (3.0) million and EUR 2.0 (2.0) million hedged against the Swedish krona. The currencies are hedged against the Swedish krona at an average forward rate of USD/SEK 7.23 (7.81) and EUR/SEK 9.00 (9.38), with a total average remaining duration of approximately 2 (2) and 2 (3) months respectively.

The hedged US dollar position of USD 3.0 (3.0) million had an actual value of SEK 23 (23) million as of December 31, 2006. The equivalent amount for euros is EUR 2.0 (2.0) million, which was SEK 18 (19) million.

Balance sheet exposure

Orc Software is exposed to changes in the AUD/SEK rate, since in accordance with Swedish GAAP the intangible fixed assets that arose from the acquisition of Cameron Systems are booked in AUD. The company has decided not to hedge this currency exposure.

Notes

NOTE 13. SHARES IN ASSOCIATED COMPANIES

Promyzer, was owned to 64 percent until November 30, 2006, but was regarded during that period as an associated company since Orc Software only had significant influence in the company. Before Promyzer became an associated company, Orc Software had a controlling interest and reported Promyzer as a subsidiary in its consolidated accounts. Controlling influence was not obtained since Promyzer had issued option rights to a third party, which means that if these options were exercised Orc Software would own 48 percent. On December 1, 2006, Promyzer recalled its outstanding options and Orc Software acquired the remaining shares in Promyzer from another shareholder in Promyzer, Trustlink Holding AB. Orc Software subsequently obtained a controlling influence, and as of December 1, 2006, Promyzer has been reported as a subsidiary. Promyzer offers clients a product for mobile price information and securities trading. Promyzer is not listed on any public exchange.

Orc Software owned 34 percent of E2E infotech Limited between July 1, 2002, and June 1, 2005. As of June 1, 2005, the company became a subsidiary of Orc Software. E2E offers products and services to Orc Software's clients who wish to integrate the Orc System with their own business routines. E2E infotech is not listed on any public exchange.

SHARE OF THE ASSOCIATED COMPANIES EARNINGS

SEK thousands	Group	
	2006	2005
Income from shares in associated companies	-278	92
Capital gain on sale	-	-
Total income from shares in associated companies	-278	92

SHARE OF THE ASSOCIATED COMPANIES BALANCE SHEET

SEK thousands	Group	
	2006	2005
Fixed assets	-	102
Current assets	-	477
Long-term liabilities	-	-
Current liabilities	-	-514
Net assets in associated companies	-	65

NOTE 14. FINANCIAL INCOME

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Dividend	250	234*	250	3 380*
Interest income	1 298	9 031	643	7 260
Total financial income	1 548	9 265	893	10 640

* Of which SEK 234 thousands refers to a dividend from Infront and SEK 3 146 thousands to a dividend from Orc ExNet.

NOTE 15. YEAR-END APPROPRIATIONS

SEK thousands	Parent company	
	2006	2005
Transfer to tax allocation reserve	-13 935	-8 481
Reversal of tax allocation reserve	7 202	6 854
Excess depreciation	-	619
Total year-end appropriations	-6 733	-1 008

NOTE 16. TAX ON NET INCOME FOR THE YEAR

THE FOLLOWING COMPONENTS ARE INCLUDED IN THE REPORTED TAX EXPENSE

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Actual tax	-23 886	-12 410	-11 706	-7 852
Paid foreign taxes	-214	-240	-157	-226
Adjustments of taxes from previous years	778	2	728	17
Deferred tax expense				
- refers to tangible fixed assets	1 473	173	1 473	-
- refers to intangible fixed assets	2 087	-	-	-
- refers to financial instruments	-	-1 166	-	-1 149
- other*	-2 413	-687	-	-
Deferred tax revenue				
- refers to loss carried forward in subsidiaries	2 499	250	-	-
- refers to temporary differences	1 641	1 501	-	-
- refers to financial instruments	717	-	713	-
Reported tax cost	-17 318	-12 577	-8 949	-9 210

* Relates in its entirety to deferred tax on tax allocation reserve in the Swedish companies.

RECONCILIATION OF ACTUAL TAX EXPENSE

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Reported income before tax	68 182	33 068	39 376	18 503
Tax as per weighted average tax rate	-22 069	-9 269	-11 025	-5 181
Tax effect of:				
Non-deductible costs	-473	-1 336	-471	-1 385
Non-taxable revenue	398	970	398	971
Paid foreign taxes	-19	-	22	-
Tax from previous years	778	2	728	17
Tangible fixed assets	1 473	173	1 298	-1 028
Financial instruments	717	-1 166	713	-1 149
Standard revenue from tax allocation reserve	-622	-1 462	-612	-1 455
Loss carried forward	2 499	250	-	-
Unreported deficit	-	-739	-	-
Reported tax expense	-17 318	-12 577	-8 949	-9 210

The Group's weighted average tax rate, based on each country's tax rate, is 32.4 (28.0) percent, and for the Parent company, 28.0 (28.0) percent.

Notes

DEFERRED TAX RECEIVABLE

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Deferred tax attributable to excess depreciation	1 473	1 651	1 473	–
Deferred tax attributable to accrued expenses and deferred income	6 009	–	–	–
Deferred tax attributable to loss carried forward	2 876	250	–	–
Deferred tax assets attributable to financial instruments	214	126	211	117
Deferred tax receivable	10 572	2 027	1 684	117

TAX RECEIVABLE

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Deduction for paid tax	4 135	2 312	3 240	2 225
Tax receivable	4 135	2 312	3 240	2 225

DEFERRED TAX LIABILITY

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Deferred tax liability on untaxed reserves in Swedish companies	28 927	25 846	–	–
Deferred tax attributable to intangible fixed assets	21 967	–	–	–
Deferred tax attributable to financial instruments	325	414	323	402
Deferred tax liability	51 219	26 260	323	402

TAX LIABILITY

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Tax liabilities attributable to net income for the year	12 802	1 812	5 052	895
Tax liability	12 802	1 812	5 052	895

NOTE 17. LEASING CONTRACTS

Leasing contracts of an operational character that have been entered into are summarized as follows:

PREMISES

SEK thousands	Group	Parent company
Charges falling due in:		
2007	15 416	5 691
2008–2011	25 430	–
2012 or later	144	–
Total	40 990	5 691

The difference between the total future leasing costs as of the closing date and their present value amounts to SEK 3.5 (1.0) million, discounted at a 5-year risk-free SEK interest rate.

The lease agreements for offices have been concluded with standard index clauses.

The expensed leasing for 2006 amounted to SEK 11 425 (11 043) thousands for the Group and SEK 7 260 (6 698) thousands for the Parent company.

Leased fixed assets

Hardware to a total acquisition value of SEK 1.4 (0.5) million has been leased out as of December 31, 2006, to clients according to agreements with a duration of one and two years, respectively, with the possibility of extension. Book value amounted to SEK 1.0 (0.4) million. Contracted future leasing revenue amounted to SEK 1.7 (0.3) million.

Orc Software has no financial leasing obligations.

NOTE 18. INTANGIBLE FIXED ASSETS

CAPITALIZED DEVELOPMENT EXPENDITURE

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Acquisition value brought forward	27 985	27 985	27 985	27 985
Investments during the year	6 394	–	6 394	–
Accumulated acquisition value carried forward	34 379	27 985	34 379	27 985
Amortization brought forward	–22 021	–14 197	–22 021	–14 197
Amortization for the year	–5 527	–7 824	–5 527	–7 824
Accumulated amortization carried forward	–27 548	–22 021	–27 548	–22 021
Write-downs brought forward	–	–	–	–
Write-downs for the year	–2 103	–	–2 103	–
Accumulated write-downs carried forward	–2 103	–	–2 103	–
Net value carried forward	4 729	5 964	4 729	5 964

Write-downs attributable to capitalized development expenditure

In 2006, the rights to certain software components for MarketOn were sold to OMX for SEK 2.1 million. Before the sale, these software components had been capitalized as development work.

The write-down affected the Europe segment in respect of consolidated operating income and revenue at Parent company level, see note 4.

GOODWILL

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Acquisition value brought forward	476	286	–	–
Goodwill acquired during the year	177 332	248	–	–
Translation differences	–5 846	–58	–	–
Net value carried forward	171 962	476	–	–

Notes

NOTE 18. Cont.

OTHER INTANGIBLE FIXED ASSETS

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Acquisition value brought forward	3 710	3 710	–	–
Assets acquired through business combinations	93 000*	–	–	–
Translation differences	–4 863	–	–	–
Accumulated acquisition value carried forward	91 847	3 710	–	–
Amortization brought forward	–3 030	–2 288	–	–
Translation differences	157	–	–	–
Amortization for the year	–8 134	–742	–	–
Accumulated amortization carried forward	–11 007	–3 030	–	–
Net value carried forward	80 840	680	–	–

* Of the total amount of SEK 93 000 thousands, SEK 10 000 thousands relates to the brand name, SEK 26 000 thousands to client relationships and SEK 57 000 thousands to technology. These intangible fixed assets are amortized linearly. The brand name has an amortization period of 5 years, client relations have an amortization period of 10 years and technology has an amortization period of 15 years.

Impairment of cash-generating units containing goodwill

Goodwill in Orc Software is attributable to completed acquisitions of E2E info-tech, which on December 31, 2006 amounted to SEK 0.2 million, Orc ExNet Transaction Services, which as of December 31, 2006 amounted to SEK 0.3 million, and Cameron Systems, which as of December 31, 2006 amounted to SEK 171 million. Impairment is based on cash-flow forecasts with an explicit forecast period of 15 years. The impairment carried out in 2006 was based on the relevant units' budgets for 2007 and for 2008 and thereafter, based on assumptions regarding growth and margin development for the market and the units' development. It is assumed that the growth rate for Cameron Systems after the explicit forecast period will amount to 3 percent, and for the other units to 3 and 7 percent, respectively. Present value for the cash flow forecasts has been calculated based on a discount interest rate of 15–16 percent before tax. No impairment requirements exist.

NOTE 19. TANGIBLE FIXED ASSETS

EQUIPMENT

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Acquisition value brought forward	51 661	47 430	37 562	36 041
Investments during the year	15 034	6 211	7 054	2 719
Assets acquired through business combinations	735	65	–	–
Disposals during the year	–2 288	–2 539	–1 263	–1 198
Translation differences	–354	494	–	–
Accumulated acquisition value carried forward	64 788	51 661	43 353	37 562
Accumulated depreciation brought forward	–35 297	–29 728	–26 503	–22 503
Disposals during the year	1 983	2 031	1 161	1 142
Depreciation for the year	–7 804	–7 600	–4 764	–5 142
Accumulated depreciation carried forward	–41 118	–35 297	–30 106	–26 503
Net value carried forward	23 670	16 364	13 247	11 059

The Parent company contains fixed assets that have been fully depreciated but are still in use. These fixed assets have an acquisition value of SEK 20 million.

NOTE 20. FINANCIAL FIXED ASSETS

SHARES IN ASSOCIATED COMPANIES

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Acquisition value brought forward	87	1 131	1 500	1 489
Reclassification of associated companies due to acquisition of additional portions	–87	–1 489	–1 500	–1 489
Reclassification of Group company to associated companies	–	206	–	4 823
Write-down of shares in associated companies	–	–	–	–3 323
Income from shares in associated companies	–278	–118	–	–
Deducted from income from shares in associated companies*	278	357	–	–
Accumulated acquisition value carried forward	–	87	–	1 500

* Associated companies in which additional shares have been acquired so that they have become subsidiaries.

SHARES IN GROUP COMPANIES

SEK thousands	Parent company	
	2006	2005
Balance brought forward	19 928	13 768
Acquisitions during the year	253 284	10 453
Reclassification of associated companies due to acquisition of additional portions	1 500	1 489
Write-down of shares in Group companies	–	–931
Reclassification of Group companies to associated companies	–	–4 823
Sales during the year	–846	–28
Balance carried forward	273 866	19 928

AVAILABLE-FOR-SALE INVESTMENTS

SEK thousands	Group	
	2006	2005
Acquisition value brought forward	3 082	2 806
Acquisitions	–	416
Write-downs	–	–
Change in value*	–	–140
Accumulated acquisition value carried forward	3 082	3 082

* A fair value valuation of the shareholding in Game Federation Svenska has resulted in a downward adjustment of the value by SEK 140 thousands. The downward adjustment was made in March 2005 and was still relevant as of December 31, 2006. This has been reported under Shareholders' equity in accordance with IAS 39.

Notes

OTHER LONG-TERM FINANCIAL FIXED ASSETS

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Acquisition value brought forward	1 670	21 577	4 276	24 796
Acquisitions	–	–	–	416
Amortization	–	–20 206	–	–20 206
Reversed write-downs	–	1 087	–	–
Change in paid leasing deposit	769	–845	–798	–590
Change in value	–	–	–	–140*
Translation differences	–101	57	–	–
Accumulated acquisition value carried forward	2 338	1 670	3 478	4 276

* A fair value valuation of the shareholding in Game Federation Svenska has resulted in a downward adjustment of the value by SEK 140 thousands.

NOTE 21. SHARES IN GROUP COMPANIES AND ASSOCIATED COMPANIES

Group companies	Corporate Identity No.	Registered office	No of shares	% of capital	Book value
Orc Software Pty Ltd.	091 454 045	Sydney	20 000	100	106
Orc Software s.r.l.	13089980158	Milan	9 500	95	85
Orc Software Ltd.	390 6149	London	10 000	100	133
Orc Software GmbH	hrb 50215	Frankfurt	–	100	211
Orc Software GmbH	FN 195812	Vienna	–	100	146
Orc Software GmbH	Ch-020.4.024.095-5	Zurich	–	95	128
Orc Software Inc.	–	Delaware	100	100	1 028
Orc Software HK Ltd	773 037	Hong Kong	9 900	99	12
Orc Software Inc.	1160449774	Montreal	100	100	0
Orc Software East AB	556472-1685	Stockholm	1 000	100	100
Dancharia Research & Trade East AB	556472-1693	Stockholm	1 000	100	100
Orc ExNet Transaction Services AB	556613-3251	Stockholm	4 000	100	14 196
Orc Software Stockholm AB	556510-5367	Stockholm	1 190	100	1 269
Orc Education AB	556611-4087	Stockholm	510	51	56
E2E infotech Limited	3981436	London	5 100	51	1 512
Promyzer AB	556632-7580	Stockholm	114 800	100	1 950
Cameron Systems (Vic) Pty Ltd	097 437 968	Melbourne	5 569 716	100	252 257
Cameron Fix IP Pty Ltd	117 780 042	Victoria	100 001	100	577
Total, SEK thousands					273 866

In Orc Software s.r.l., the Parent company owns 95 percent and the Chairman 5 percent of the shares. In Orc Software HK Ltd and Orc Software GmbH (Zurich), the Parent company holds 99 percent and 95 percent respectively and two other companies in the Group the remaining parts. The ownership of Orc Software s.r.l., Orc Software HK Ltd. and Orc Software GmbH (Zurich) is governed by local regulations. As Orc Software controls the remaining shares in these companies, they are consolidated in full in the consolidated accounts. In Orc Education AB, the Parent company owns 51 percent. The remaining part of Orc Education is owned by Swedish Trading Institute AB. In E2E infotech Limited, the Parent company owns 51 percent. The remaining part is owned by the employees of E2E. All the other subsidiaries are 100 percent owned by the Parent company.

As of December 31, 2006, Orc Software has no associated companies.

Notes

NOTE 22. ACCOUNTS RECEIVABLE

Since the Group's accounts receivables follow accepted payment conditions, the value in the balance sheet agrees with the fair value.

Credit risks

In general, Orc Software's clients, who among others consist of investment banks, banks and brokerage firms, represent a capital-strong segment with a consequently low risk for bad-debt losses. The Group's bad-debt losses have not been material, due to the fact that clients pay in advance, on a quarterly or even longer basis, and because Orc Software works actively to inform its clients of the importance of paying on time. In 2006, bad-debt losses amounted to 0.8 (1.4) percent of total operating expenses.

NOTE 23. PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Other accrued income	1 927	1 376	1 024	595
Prepaid rent and insurance premiums	3 314	3 226	2 594	2 446
Other prepaid expenses	4 008	3 015	2 678	1 448
Total prepaid expenses and accrued income	9 249	7 617	6 296	4 489

NOTE 24. SHAREHOLDERS' EQUITY

Holding of repurchased shares

A total of 513 500 previously acquired Orc shares were used as partial payment for the acquisition of Cameron Systems in 2006.

In 2006, the Board received authorization from the Annual General Meeting, but no repurchases occurred in 2006. Consequently, as of December 31, 2006, Orc Software held no repurchased shares.

SHAREHOLDERS' EQUITY IN THE PARENT COMPANY

SHARE CAPITAL

The share capital amounts to SEK 1 520 (1 485) thousands, which as of December 31, 2006, corresponds to 15 202 (14 850) thousands ordinary shares with a quota value of SEK 0.10 per share.

RESTRICTED RESERVES

Restricted reserves consist of a statutory reserve of SEK 37 437 thousands. A share premium reserve that arose prior to January 1, 2006, was added to the statutory reserve.

SPECIFICATION OF THE PARENT COMPANY'S SHAREHOLDERS' EQUITY 2006, PARENT COMPANY

SEK thousands	Share capital	Restricted reserves	Non-restricted equity	Total
Opening balance, January 1, 2006	1 485	37 437	66 306	105 228
New share issue	35	–	31 220	31 255
Dividend for 2005	–	–	–50 016	–50 016
Transfer of repurchased shares	–	–	46 215	46 215
Market valuation, hedge instruments	–	–	–144	–144
Net income for the year	–	–	30 427	30 427
Closing balance, December 31, 2006	1 520	37 437	124 008	162 965

2005, PARENT COMPANY

SEK thousands	Share capital	Restricted reserves	Non-restricted equity	Total
Adjusted opening balance, January 1, 2005*	1 485	37 437	78 514	117 436
Dividend for 2004	–	–	–21 505	–21 505
Change in value of financial asset	–	–	–140	–140
Market valuation, hedge instruments	–	–	144	144
Net income for the year	–	–	9 293	9 293
Closing balance, December 31, 2005	1 485	37 437	66 306	105 228

* Adjustment of the opening balance has been made with consideration to IFRS.

SHAREHOLDERS' EQUITY IN THE GROUP

EARNINGS PER SHARE

Earnings per share amounted to SEK 3.30 (1.40). The average number of shares used to calculate earnings per share amounted to 15 126 378. Orc Software has issued options that could create a maximum dilution of 2.6 percent. The options had no dilution effect at December 31, 2006, since the average share price did not exceed the exercise price.

Orc Software has no outstanding convertible loans.

PROPOSED DIVIDEND

The Board of Directors has resolved to recommend a dividend of SEK 2.00 (3.29) per share for 2006, representing a total of SEK 30 405 (50 016) thousands, corresponding to 60 (244) percent of net income.

Notes

2006, GROUP

SEK thousands	Attributable to the Parent company's shareholders				Total	Attributable to minority interest	Total
	Share capital	Other paid-in capital	Reserves	Retained earnings			
Opening balance January 1, 2006	1 485	60 115	2 113	126 380	190 093	2 099	192 192
New share issue	35	31 220	–	–	31 255	–	31 255
Dividend for 2005	–	–	–	–50 016	–50 016	–	–50 016
Transfer of repurchased shares	–	29 857	–	16 358	46 215	–	46 215
Market valuation hedge instruments	–	–	–144	–	–144	–	–144
Change in subsidiaries (buy-out of minority, etc.)	–	4 609	921	–5 942	–412	–	–412
Change of minority interest	–	–	–	–	–	–45	–45
Options program	–	28	–	–	28	–	28
Translation difference	–	–	–1 678	–	–1 678	–	–1 678
Translation difference on intangible fixed assets	–	–	–9 408	–	–9 408	–	–9 408
Net income for the year attributable to the Parent company's shareholders	–	–	–	49 973	49 973	–	49 973
Net income for the year attributable to the minority interest	–	–	–	–	–	891	891
Closing balance December 31, 2006	1 520	125 829	–8 196	136 753	255 906	2 945	258 851

The sum of revenue and expenses for the period, i.e. calculated as the sum of revenue and expenses, which are accounted for in the income statement and directly against shareholders' equity, amounted to SEK 39.6 million as of December 31, 2006. Of this amount, SEK 38.7 million is attributable to the Parent company's shareholders and SEK 0.9 is attributable to the minority interest.

2005, GROUP

SEK thousands	Attributable to the Parent company's shareholders				Total	Attributable to minority interest	Total
	Share capital	Other paid-in capital	Reserves	Retained earnings			
Adjusted opening balance January 1, 2005	1 485	59 350	–407	135 119	195 547	1 461	197 008
Dividend for 2004	–	–	–	–21 505	–21 505	–1 224	–22 729
Fair value of available-for-sale investments	–	–	–140	–	–140	–	–140
Market valuation hedge instruments	–	–	144	–	144	–	144
Change in subsidiaries (buy-out of minority, etc.)	–	765	–	–7 520	–6 755	–	–6 755
Change in minority interest	–	–	–	–	–	1 452	1 452
Change in associated companies	–	–	–	205	205	–	205
Translation difference	–	–	2 574	–	2 574	–	2 574
Translation differences on intangible fixed assets	–	–	–58	–	–58	–	–58
Net income for the year attributable to Parent company's shareholders	–	–	–	20 081	20 081	–	20 081
Net income for the year attributable to the minority interest	–	–	–	–	–	410	410
Closing balance December 31, 2005	1 485	60 115	2 113	126 380	190 093	2 099	192 192

The sum of revenue and expenses for the period, i.e. calculated as the sum of revenue and expenses, which are accounted for in the income statement and directly against shareholders' equity, amounted to SEK 23.0 million as of December 31, 2005. Of this amount, SEK 22.6 million is attributable to the Parent company's shareholders and SEK 0.4 million is attributable to the minority interest.

Notes

NOTE 25. SHARE-RELATED COMPENSATION

The Extraordinary General Meeting on December 11, 2006, voted to implement an options program and a new issue of 400 000 options. The program includes all employees of Orc Software in Sweden and abroad who are employees of Orc Software AB or any of its wholly owned subsidiaries. The options program is divided into two subprograms – one for employees in Sweden and one for employees outside Sweden.

Employees in Sweden

Employees in Sweden are invited to acquire options for shares in Orc Software AB (publ). The acquisition takes place at fair value and is based on a market valuation performed on December 18 by an independent valuation company. During the registration period, December 18–22, a total of 93 700 options were acquired for the price of SEK 10.02 per option. The settlement day was January 31, 2007, and the options expire in three years. Each warrant entitles the holder to subscribe for one share in Orc Software AB during January 1–December 31, 2009 at a subscription price of SEK 124, which is 120 percent of the volume-weighted average price paid for Orc Software shares on the Stockholm Exchange during December 4–15, 2006.

Employees outside Sweden

Consideration-free options have been allotted to employees outside Sweden. The options are not transferable and are subject to employment relationships still being intact at the close of the vesting period, December 31, 2008. The term of the options is three years. Each option entitles the holder to subscribe for one share in Orc Software AB during January 1–December 31, 2009, at a subscription price of SEK 124, which is 120 percent of the volume-weighted average buy price for Orc Software shares on the Stockholm Exchange during December 4–15, 2006.

The options allotted to employees outside Sweden resulted in a charge of SEK 28 thousands against personnel costs.

NUMBER OF OPTIONS

	Employees in Sweden	Employees outside Sweden
Outstanding at the beginning of the period	–	–
Allotted during the period	93 700	221 800
Exercised during the period	–	–
Redeemed during the period	–	–
Matured during the period	–	–
Outstanding at end of period	93 700	221 800
Redeemable at end of period	–	–

The fair value of the allotted options on the valuation date, December 18, was SEK 2.2 million.

The following parameters were used to determine the fair value of the options:

Actual share value, SEK	108.37
Subscription price, SEK	124
Term, years	3.04
Volatility, %	25
Risk-free interest rate, %	3.61
Present value dividend per share, SEK	14.61
Maximum dilution, %	2.63
Valuation model	Black-Scholes

The anticipated volatility is based on the share's historical volatility, which amounted to 33–34 percent, and the implicit volatility of a prior call options program, implemented by Hagströmer & Qviberg, estimated at 15–21 percent. The valuation also took into account the fact that the remaining term of the current Orc Software options is relatively long and, in line with established financial theory, volatility tends toward a lower normalized level over the long term. In light of the above, it is judged that an expected future volatility of approximately 25 percent is reasonable.

NOTE 26. ACCOUNTS PAYABLE

The Group's accounts payable follow ordinary payment conditions and therefore the value in the balance sheet corresponds to fair value.

NOTE 27. ACCRUED EXPENSES AND PREPAID INCOME

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Advance invoicing	88 613	66 514	79 528	62 805
Accrued expenses, personnel-related taxes	13 768	9 709	8 398	7 429
Other accrued expenses	31 485	11 735	8 873	3 582
Total accrued expenses and prepaid income	133 866	87 958	96 799	73 816

NOTE 28. OVERDRAFT FACILITIES

Group

Authorized overdraft facilities amount to SEK 20 (-) million.

Parent company

Authorized overdraft facilities amount to SEK 20 (-) million.

NOTE 29. FINANCIAL ITEMS IN THE CASH FLOW STATEMENT

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Interest payments received	1 604	5 308	1 775	3 543
Interest payments made	-367	-185	-198	-37
Dividend	250	234	250	3 380
Total financial items in cash flow statement	1 487	5 357	1 827	6 886

Notes

NOTE 30. ACQUISITIONS AND DIVESTMENTS OF SUBSIDIARIES

Acquisition of Cameron Systems

On February 1, 2006, Orc Software acquired 100 percent of the shares in Cameron Systems, the world's leading supplier of FIX platforms (Financial Information eXchange). The initial purchase price was set to SEK 169 million, of which SEK 77 million was in Orc shares. An additional purchase price based on Cameron Systems' revenue and income, was paid in September in the amount of SEK 76 million, including direct expenditures related to the acquisition.

From February 1 to December 31, 2006, Cameron Systems contributed with revenue of SEK 60 million and an operating income of SEK 22 million. During January 1 to January 31, 2006, revenue amounted to SEK 2.3 million, with an operating income of SEK -0.3 million.

SPECIFICATION OF ACQUIRED NET ASSETS

SEK thousands	2006
Acquisition value	
Cash payment	-167 918
Direct expenses attributable to the acquisition	-7 446
352 282 newly issued Orc shares	-31 255
513 500 repurchased Orc shares	-46 215
Total acquisition value	-252 834

ACQUIRED ASSETS AND LIABILITIES

SEK thousands	Fair value	Acquired book value
Intangible fixed assets*	93 000	-
Tangible fixed assets	735	735
Financial fixed assets	47	47
Receivables	13 359	13 359
Liquid funds	6 159	6 159
Total assets	113 300	20 300
Deferred tax liability	-26 040	-
Other liabilities	-11 758	-11 758
Total liabilities	-37 798	-11 758
Total acquired net assets	75 502	8 542

* Concerns to technology, brand name and client relations. Amortization of these intangible fixed assets is linear. Of the total amount of SEK 93 million, 11 percent refers to the brand name and involves an amortization period of 5 years, 28 percent to client relationships, with an amortization period of 10 years, and 61 percent to technology, with an amortization period of 15 years.

SPECIFICATION OF ACQUIRED GOODWILL

SEK thousands	2006
Total acquisition value	252 834
Fair value of acquired net assets	-75 502
Goodwill**	177 332

Goodwill in Cameron Systems is denominated in Australian dollars and adjusted to the closing day rate, see notes 11 and 18.

** Goodwill consists of anticipated future synergies from an expanded product range. In addition to synergistic effects, goodwill also includes personnel and future profitability.

EFFECT ON THE GROUP'S LIQUID FUNDS

SEK thousands	2006
Total acquisition value	-252 834
Liquid funds in the acquired company	6 159
New share issue	31 255
Transfer of repurchased shares	46 215
Effect on the Group's liquid funds	-169 205

Divestment of Orc Software K.K. in 2006

The Extraordinary General Meeting on January 26, 2006, resolved to sell the Japanese subsidiary, Orc Software K.K. The divestment was carried out on February 1, 2006, for JPY 1. The sale of Orc Software K.K. had an impact of SEK - thousands on Orc Software's revenue and a negative impact of SEK 58 thousands on net income for the year, over and above a capital gain of SEK 1 thousand.

DIVESTED ASSETS AND LIABILITIES

SEK thousands	Fair value	Divested book value
Financial assets	-216	-216
Liquid funds	-501	-501
Total assets	-717	-717
Tax liabilities	34	34
Other liabilities	684	684
Total liabilities	718	718
Total divested net assets	1	1

EFFECT ON THE GROUP'S LIQUID FUNDS

SEK thousands	2006
Liquid funds in the divested company	-501
Effect on the Group's liquid funds	-501

Notes

NOTE 31. LIQUID FUNDS

Liquid funds consist of cash and bank balances as well as short-term investments, since such investments are only subject to insignificant risk for price fluctuations and may easily be converted into cash. An investment is normally classified as a liquid funds only if it has an investment period of three months or less. Orc Software has certain short-term investments that have an investment period of more than three months, but are regarded as short-term since they can be redeemed.

SEK thousands	Group		Parent company	
	2006	2005	2006	2005
Short-term investments	765	164 852	–	164 324
Cash and bank	73 899	61 999	50 425	22 273
Total liquid funds	74 664	226 851	50 425	186 597

The Group's short-term investments consist of Swedish certificates with credit rating "K1" according to Standard & Poor's rating scale as well as fixed-term investments in banks. These investments have high credit value and liquidity and may easily be transferred to cash. Short-term investments are valued at acquisition value and interest is accrued during the life of the investment.

The company receives ordinary 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 973 thousands.

Accrued interest is included in short-term investments as of January 2005. As of December 31, 2006, accrued interest amounted to SEK – (306) thousands.

Early redemption

Orc Software has the opportunity to prematurely redeem its short-term investments. Early redemption, however, means that all investments must be valued at market value in the coming two years according to IFRS.

SPECIFICATION OF SHORT-TERM INVESTMENTS

Group, 2006

SEK thousands	Acquisition value	Nominal value	Fair value, Dec. 31	Maturity date	Interest rate, %
Bank time deposits, INR	235	235	235	2007-01-02	4.25
Bank time deposits, AUD	412	412	412	2007-01-20	3.60
Bank time deposits, AUD	118	118	118	2007-04-25	4.25
Total	765	765	765		

NOTE 32. EVENTS AFTER BALANCE SHEET DATE

The balance sheet and income statement will be adopted at the Annual General Meeting on April 25, 2007. In conjunction therewith, Orc Software will issue a press release about the decisions taken during the Annual General Meeting.

Acquisition of remaining shares in Orc Education

As of January 1, 2007, Orc Software has taken over the remaining 49 percent of the shares in its subsidiary, Orc Education, from Swedish Trading Institute AB.

Orc Education arranges courses in derivatives trading.

Audit Report

To the Annual General Meeting of the shareholders of Orc Software AB

Corporate identity 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 managing director of Orc Software AB for the financial year 2006. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 24-54. The board of directors and the managing director 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 IFRS's 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 managing director and significant estimates made by the board of directors and the managing director 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 managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the 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 IFRS's 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 statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders 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 statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm March 29, 2007

Ernst & Young AB



BJÖRN FERNSTRÖM
Authorized Public Accountant

Overview of previous years' results*

INCOME STATEMENT

SEK millions	1996	1997	1998	1999	2000	2001	2002	2003	2004**	2005**	2006**
Operating revenue	19.1	29.0	41.1	83.7	131.3	209.7	275.3	249.1	246.6	278.1	417.9
Operating expenses excluding depreciation, amortization, write-downs and personnel costs	-4.0	-7.6	-11.6	-29.0	-38.5	-46.6	-67.5	-68.3	-83.8	-100.9	-121.7
Personnel costs	-6.0	-9.5	-12.2	-20.1	-40.0	-69.9	-82.4	-93.2	-115.5	-133.3	-205.4
Depreciation, amortization and write-downs	-1.1	-1.3	-2.2	-3.5	-3.2	-6.9	-10.7	-13.1	-17.7	-16.2	-23.5
Operating income	8.0	10.6	15.1	31.1	49.7	86.3	114.6	74.5	29.6	27.7	67.3
Net financial items	0.5	0.4	0.9	1.0	3.4	7.1	8.5	5.6	2.8	5.4	0.9
Income after financial items	8.5	11.0	16.1	32.1	53.1	93.4	123.1	80.1	32.4	33.1	68.2
Tax on net income for the year	-2.4	-3.1	-4.5	-10.0	-12.4	-28.4	-36.0	-23.7	-11.1	-12.6	-17.3
Minority's part of net income for the year	-	-	-	-	-	0.1	0.1	-0.8	n.a.	n.a.	n.a.
Net income for the year	6.1	7.9	11.6	22.1	40.7	65.1	87.2	55.6	21.3	20.5	50.9
Net income for the year attributable to the minority interest	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-2.1	0.4	0.9
Net income for the year attributable to Parent company's shareholders	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23.4	20.1	50.0

BALANCE SHEET

SEK millions	1996	1997	1998	1999	2000	2001	2002	2003	2004**	2005**	2006**
Fixed assets	2.5	3.1	5.3	8.2	17.0	23.2	42.8	48.6	58.7	30.3	297.2
Accounts receivable	1.7	5.3	5.6	5.7	24.9	38.9	36.2	40.7	43.1	48.1	83.6
Other receivables	3.8	0.4	3.5	2.2	5.0	6.7	12.3	13.0	24.5	16.7	19.6
Liquid funds	11.7	20.7	31.2	65.9	159.1	224.3	273.8	251.9	186.2	226.9	74.7
Total assets	19.8	29.6	45.5	82.0	206.0	293.1	365.1	354.2	312.5	322.0	475.1
Shareholders' equity	11.9	18.0	24.7	57.3	147.3	191.8	245.1	244.3	199.2	192.2	258.9
Minority interest	-	-	-	-	-	0.7	0.5	1.3	n.a.	n.a.	n.a.
Deferred tax liability	1.2	1.8	2.7	4.7	6.9	12.4	19.6	23.6	25.3	26.3	51.2
Current liabilities	6.6	9.7	18.1	20.0	51.8	88.2	99.9	85.1	88.0	103.5	165.0
Total shareholders' equity and liabilities	19.8	29.6	45.5	82.0	206.0	293.1	365.1	354.2	312.5	322.0	475.1

* Consolidated accounts were not prepared for the years 1996–1998, since the subsidiaries included in the Group only had limited operations and invoicing was conducted almost exclusively by the Parent company. To achieve comparability with the consolidated financial statements for other years, the consolidated income statements, balance sheets and cash flow statements were presented based on Orc Software AB's and its subsidiaries' revised year-end accounts for 1996–1998. This consequently implies that the subsidiaries have been consolidated in the accounts for these years. The consolidation has however only led to marginal changes when compared to the revised Parent company figures for the period.

** For 2004–2006, reporting has been adapted to IFRS. 1996–2003 are reported in accordance with prior accounting principles.

KEY RATIOS

SEK million, unless otherwise indicated	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
MARGINS											
Operating margin, %	41.9	36.5	36.8	37.1	37.8	41.1	41.6	29.9	12.0	9.9	16.1
Profit margin, %	32.1	27.3	28.1	26.4	31.0	31.0	31.7	22.3	9.5	7.2	12.0
PROFITABILITY											
Return on capital employed, %	90.8	74.3	75.6	78.4	52.0	55.2	56.5	33.3	17.2	18.9	30.5
Return on shareholders' equity, %	65.1	53.0	54.1	53.8	39.8	38.4	39.9	22.7	10.6	10.4	22.4
CAPITAL STRUCTURE											
Operating capital	0.1	-2.8	-6.4	-8.6	-11.8	-32.4	-28.7	-7.6	-7.2	-34.7	184.2
Capital employed	11.9	18.0	24.7	57.3	147.3	191.1	244.6	245.6	199.2	192.2	258.9
Shareholders' equity	11.9	18.0	24.7	57.3	147.3	191.8	245.1	244.7	199.2	192.2	258.9
Interest-bearing net debt	-11.7	-20.7	-31.2	-65.9	-159.1	-224.3	-273.8	-251.9	-186.2	-226.9	-74.7
Asset turnover ratio, multiple	2.0	1.9	1.9	2.0	1.3	1.2	1.3	1.0	1.2	1.4	1.9
Net debt/equity ratio, multiple	-1.0	-1.2	-1.3	-1.2	-1.1	-1.2	-1.1	-1.0	-0.9	-1.2	-0.3
Equity/assets ratio, %	60.1	60.8	54.3	69.9	71.5	65.4	67.1	69.0	63.8	59.7	54.5
CASH FLOW AND LIQUIDITY											
Cash flow before investments	7.9	12.8	19.6	30.6	55.8	99.1	115.5	56.0	32.6	51.0	93.8
Cash flow after investments	5.7	10.8	15.2	24.2	43.9	85.0	83.6	34.5	3.1	59.0	-98.3
Liquid funds	11.7	20.7	31.2	65.9	159.1	224.3	273.8	251.9	186.2	226.9	74.7
Degree of self-financing, multiple	3.6	6.4	4.5	4.9	4.7	7.0	3.6	2.6	1.1	-6.4*	0.5
INVESTMENTS											
Investments in fixed assets	-2.2	-2.0	-4.4	-6.3	-11.9	-14.1	-31.9	-21.5	-29.6	7.9	-192.1
PERSONNEL											
Average number of employees	13	18	25	42	67	94	124	137	157	186	227
Revenue per employee**	n.a.	n.a.	n.a.	2.0	2.0	2.2	2.2	1.8	1.6	1.5	1.8
Value added per employee**	n.a.	n.a.	n.a.	1.2	1.3	1.7	1.6	1.2	0.9	0.9	1.2

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

** Not applicable to years 1996–1998, since employees of the distribution operations transferred from OMX are not included in the average number of employees for these years.

CASH FLOW

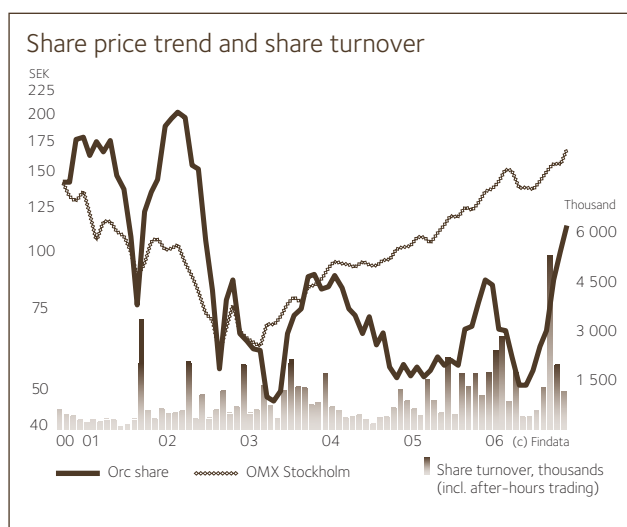
SEK million	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating revenue	19.1	29.0	41.1	83.7	131.3	209.7	275.3	249.1	246.6	278.1	417.9
Operating expenses excluding depreciation, amortization and write-downs	-10.0	-17.1	-23.7	-49.2	-78.4	-116.6	-150.0	-161.5	-199.3	-234.3	-327.1
Income before depreciation, amortization and write-downs	9.1	11.9	17.4	34.5	52.9	93.1	125.3	87.6	47.3	43.8	90.8
Change in working capital	0.1	2.9	4.9	3.1	9.8	20.7	4.2	-2.6	0.5	6.5	12.5
Investments in fixed assets	-2.2	-2.0	-4.4	-6.3	-11.9	-14.1	-31.9	-21.5	-29.6	7.9	-192.1
Cash flow before financial items and tax	7.0	12.8	17.9	31.3	50.8	99.7	97.6	63.5	18.2	58.2	-88.8

The share

The Orc Software share is traded on the Stockholm Stock Exchange at the Nordic Exchange under the trading symbol ORC. The Orc share was listed on the Stockholm Stock Exchange on October 19, 2000 at the introductory price of SEK 120 per share. Orc Software's market capitalization increased by 40 percent during 2006 to SEK 1 771 million and the company changed market segment from Small Cap to Mid Cap.

Price trends and turnover

During 2006, Orc Software's share price increased by 32 percent from SEK 88.50 to SEK 116.50. Stockholm Stock Exchange's All share index increased during the same period by 24 percent. The highest price paid for the Orc share during 2006 was SEK 117.00, noted on December 29, and the lowest price paid was SEK 47.90, noted on May 24. At the end of 2006, Orc Software's market capitalization amounted to SEK 1 771 (1 269) million, based on the last price paid. The number of Orc Software shares traded during 2006 was 23.1 (15.2) million, which is equivalent to an annual turnover rate of 160 (106) percent compared to 147 (124) percent for Stockholm Stock Exchange as a whole.



Ownership structure

The number of shareholders in Orc Software as of December 31, 2006 was 2 205 (2 169). The ten largest shareholders accounted for 65 (69) percent of the votes and capital. The number of institutional investors was 310 (307) and their holding was 85 (88) percent. There were 137 (120) foreign shareholders with 21 (7) percent of the votes and capital.

Shareholding structure per number of shares

No. of shares	No. of shareholders	No. of shares	% of capital and votes
1–500	1 555	230 965	1.5
501–1 000	302	254 562	1.7
1 001–10 000	252	839 025	5.5
10 001–50 000	59	1 501 208	9.9
50 001–100 000	13	920 153	6.0
100 001–	24	11 456 369	75.3
Total	2 205	15 202 282	100.0

Source: VPC AB, direct and nominee shareholders as of December 29, 2006.

Orc Software's 10 largest shareholders

	No of shares	% of capital and votes
OMX Market Technology	4 488 075	29.5
SEB funds	807 840	5.3
Catella funds	791 300	5.2
Swedbank Robur funds, (including the Swedish church)	638 205	4.2
Catella Capital Management	636 600	4.2
John Cameron	598 935	4.0
Skandia Liv	520 000	3.4
Monterro Holding*	500 000	3.3
Carnegie funds	400 000	2.6
RADAR	365 200	2.4
Other shareholders	5 456 127	35.9
Total	15 202 282	100.0

Source: VPC AB, direct and nominee shareholders as of December 29, 2006.

* The shareholders in Monterro Holding are Thomas Bill, President of Orc Software, Martin Bjäringer, Carl Rosvall and Peter Larsson. Monterro Holding was formed on April 4, 2005.

Transfer of own shares

The 2006 Annual General Meeting resolved to authorize the Board of Directors to decide on acquisitions and transfers of the company's own shares. As of December 2006, Orc Software didn't own any own shares. During 2006, 513 500 own shares were transferred to shareholders of Cameron Systems in conjunction with the acquisition of Cameron Systems.

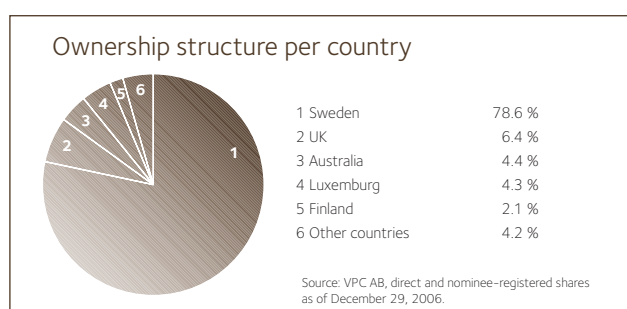
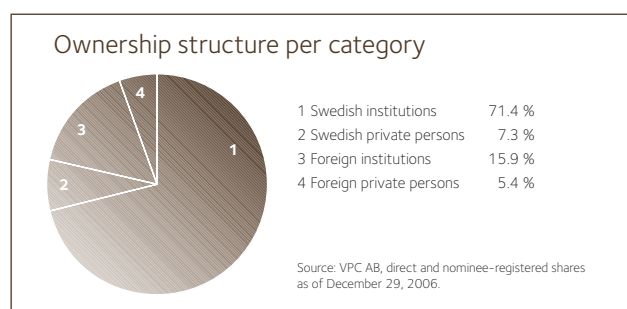
Share structure

Each share in Orc Software entitles the holder to one vote at the Annual General Meeting and provides equal rights to participate in the company's assets and income.

Orc Software's share capital amounted to SEK 1 520 228 at the end of 2006 distributed between 15 202 282 shares.

The share capital increased during the year by SEK 35 228 and the number of shares by 352 282 following the new issue in conjunction with the acquisition of Cameron Systems.

As of December 31, 2006 the company had 400 000 outstanding options registered for employees. The options could create a maximum dilution of 2.6 percent of the shares and voting rights in the company. The new issue in conjunction with the 2006/2009 options program could lead to an increase of the share capital by maximum of SEK 40 000 and 400 000 shares in 2009. As of December 31, 2006, the shares did not create any dilution effect since the average share price did not exceed the strike price. As of December 31, 2006, Orc Software had no outstanding convertible loans.



Dividend policy

It is the Board of Directors' intention to pay shareholders a dividend of approximately 50 percent of income after tax, provided that a solid capital structure is maintained. The Board of Directors proposes a dividend for 2006 of SEK 2.00 (3.29) per share, in total SEK 30 (50) million. This is equivalent to 60 (244) percent of income after tax.

Analysts that monitor Orc Software

Analysts that monitored the Orc share at year-end 2006: ABG Sundal Collier, Carnegie, Danske Equities, Redeye and SEB Enskilda.

Per share data

	2006	2005
Earnings per share, SEK	3.30	1.40
Dividend per share, SEK	2.00*	3.29
Equity per share, SEK	16.83	13.26
Share price at the end of the year, SEK	116.50	88.50
Cash flow per share, SEK	-9.81	2.53
P/E-ratio	35	63
Dividend yield, %	1.7	3.7
Dividend payout ratio, %	60	244
Share price/equity, %	692	667
Average number of shares	15 126 378	14 336 500
Number of shares at year-end	15 202 282	14 336 500

*Proposed dividend.

Changes in share capital

Year	Transaction	Increase in share capital, SEK	Increase in 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	Share split 1000:1	-	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

*New share issue on December 23, 1999 directed at OMX.

**New issue directed at Cameron Systems, February 1, 2006.

Definitions for data per share

Earnings per share Net income for the year divided by average number of shares.

Dividend per share Dividend for the year divided by number of shares at year-end.

Equity per share Shareholders' equity at year-end divided by the number of shares at year-end.

Cash flow per share Cash flow for the year divided by average number of shares.

P/E-ratio Share price divided by earnings per share.

Dividend yield Dividend for the year divided by market capitalization at year-end.

Dividend payout ratio Dividend for the year divided by net income for the year.

Price/equity per share Share price divided by equity per share.

Average number of shares Average number of shares after splits, bonus issues and new share issues.

Corporate governance

The Board of Directors and executive management of Orc Software strive to ensure that the company meets the requirements placed upon it by the Nordic Exchange, its shareholders and other stakeholders. Corporate governance within Orc Software is primarily exercised through the Annual General Meeting and the Board of Directors. Corporate governance also applies to the management, its duties and financial control, and reporting functions within the Orc Software Group.

Orc Software is not bound by the rules of the Swedish Code of Corporate Governance.

ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

The shareholders' right to decide on Orc Software's business is exercised at the Annual General Meeting, which is a company's highest decision-making body. The Annual General Meeting elects the members of the Board of Directors and auditors, and also makes decisions regarding amendments to the Articles of Association and changes to share capital.

The Annual General Meeting is responsible for electing the members of the Board of Directors and the company's auditors. The Annual General Meeting also adopts the accounts, decides on dividend payments and any other dispositions of earnings and is also responsible for voting to discharge the Board of Directors from liability.

Orc Software's Annual General Meeting was held on March 24, 2006. Approximately 13 shareholders attended the Annual General Meeting, representing 55 percent of the number of shares and voting rights. The Annual General Meeting approved a dividend of SEK 3.29 (1.50) per share.

The Board of Directors' compensation remained unchanged at SEK 150 000 per Board member and SEK 300 000 for the Chairman. Existing Board members Magnus Böcker, Åke Dovärn, Per E. Larsson, and Patrik Enblad were reelected. Katarina Bonde, Markus Gardien, and Annette Kumlien were newly elected. Per E. Larsson resigned from the Board on July 18, 2006.

Two Extraordinary General Meetings were held during 2006. One of these was held on February 26, 2006, to authorize the Board of Directors to issue new shares in order to complete the acquisition of Cameron Systems (VIC) Pty Ltd. On December 11, 2006, another Extraordinary General Meeting was held to resolve the introduction of a stock options program with a new issue of 400 000 options.

At the end of 2006 Orc Software had 2 205 (2 169) shareholders. The five largest shareholders were OMX, Catella Funds, SEB Funds, Swedbank Robur Funds and John Cameron, whose aggregate holdings accounted for 51 (55) percent of the total number of shares. For more information about share ownership, see the Share on page 58.

Nominating committee

In accordance with the authorization from the Annual General Meeting in March 2006, Orc Software's Chairman, Magnus Böcker, appointed a Nominating Committee. The Nominating Committee consists of Magnus Böcker (OMX), Magnus Eidemo (Skandia Liv), Ulf Strömsten (Catella) and Chairman Björn Lind (SEB). The Committee is responsible for issuing proposals regarding the members of Orc Software's Board of Directors, Directors' compensation, chairman of the Annual General Meeting, choice of auditors, and audit fees. Should the composition of the largest shareholders change during the nominating process, the composition of the Nominating Committee shall be modified to reflect such change.

THE BOARD OF DIRECTORS

The Board primarily makes decisions regarding the Group's strategic focus, organizational issues and larger investments. Orc Software's Board consists of six members. The Annual General Meeting elects all members. The Board consists partly of representatives from the company's largest shareholder and partly of independent Board members. The Chief Executive Officer has a reporting role on the Board.

In 2006, Orc Software's Board held 17 (12) meetings. At the meetings during the year the Board addressed standard topics such as investments, market development, the company's financial position and other significant issues regarding the company. Issues regarding the finalization of the Cameron Systems acquisition and the options program 2006 were also addressed. In addition, issues regarding the annual report, interim reports, the budget and comprehensive matters regarding strategy and world analysis were reviewed.

The reporting of strategic, economic and financial questions is made by the Group's CEO.

Each year, the Board adopts rules of procedure that are to be used as a control instrument for the work of the Board. The rules of procedure primarily define the Board's tasks, the agenda for the statutory Board meeting following the Annual General Meeting and other Board meetings, financial reporting to the Board, preparation of the tasks of the Board, rules for the minutes of the Board meeting and quorum. Information regarding remuneration to Board members is set out in note 7.

Member of the board	Presence
Magnus Böcker	16 of 17
Katarina Bonde	9 of 10*
Åke Dovärn	17 of 17
Patrik Enblad	15 of 17
Markus Gerdien	9 of 10*
Annette Kumlien	10 of 10*
Per E Larsson	10 of 11

* Was elected in connection with the 2006 AGM.

Audit Committee

The Board has chosen not to establish a separate Audit Committee. The Board as a whole will handle control issues addressed to the Board. The company's auditor presents to the Board on two occasions per financial year a description of risks and auditing orientation, together with a report of any observations made.

Remuneration Committee

The Board's Remuneration Committee consists of Magnus Böcker and Patrik Enblad and also the CEO and the Head of Human Resources as reporting members. The Remuneration Committee prepares and discusses proposals regarding incentive programs, benefits and salaries, including sales commission and bonuses for the company's employees in general and for Group management. The Board of Directors makes the final decisions. As from the 2007 Annual General Meeting, the principles for the remuneration of senior executives will be decided by the Annual General Meeting.

CEO AND EXECUTIVE MANAGEMENT

The CEO manages the company's business operations in accordance with the instructions issued by the Board of Directors. The CEO is responsible for ensuring that the Board receives the necessary information and other decision-making material for its meetings and also participates in the meetings as a presenter of information. The CEO continuously keeps the Board and Chairman updated with information about the company and the Group's financial position and development.

As of February 1, 2007, the executive management consisted of 10 persons. Information about remuneration paid to executive management is set out in note 7.

AUDITORS

At the Annual General Meeting held on April 23, 2003, Ernst & Young AB, with senior auditor Björn Fernström, was elected for four years. A new auditor shall be elected at the Annual General Meeting in 2007. Björn Fernström, born in 1950, has been the auditor for Orc Software since 1999. Björn Fernström is also the auditor for OMX, which is Orc Software's largest owner. For information about the auditors' fee see note 9.

Board of Directors



MAGNUS BÖCKER

Chairman of the Board of Directors and member of the Remuneration Committee. Stockholm. Born 1961. Economist. Chairman of Orc Software AB since 2000. Member of the Board of Directors since 1997. Chief Executive Officer of OMX AB. Other Board duties: Active as Board member of a number of companies within the OMX Group. Shares held in Orc Software AB: 20 000. Call options held in Orc Software AB: –.



KATARINA BONDE

Danderyd and Seattle. Born 1958. M.Sc. in Physics and Mathematics. Member of the Board of Directors of Orc Software AB since 2006. Managing Director of Kubi LLC. Other Board duties: Chairman of the Board of Aptilo Networks, Member of the Board of Directors of Framfab AB, the Royal Swedish Opera, Seattle Opera, Seraph Capital, Swedish American Chamber of Commerce and Swedish Private Equity and Venture Capital Association. Shares held in Orc Software AB: –. Call options held in Orc Software AB: –.



ÅKE DOVÄRN

Täby. Born 1952. BA. Member of the Board of Orc Software AB since 2000. Other Board duties: Chairman of Promyzer AB. Shareholding in Orc Software AB: 11 000. Call options held in Orc Software AB: –.



PATRIK ENBLAD

Lidingö. Born 1966. Business studies. Member of the Board of Directors of Orc Software AB since 2005 and member of the Remuneration Committee. Chief Executive Officer of HQ AB and HQ Bank AB. Other Board duties: Member of the Board of Directors of HQ AB and the Swedish Ski Federation. Shares held in Orc Software AB: –. Call options held in Orc Software AB: –.



MARKUS GERDIEN

Lidingö. Born 1960. Studies in Computer Science. Member of the Board of Directors of Orc Software AB since 2006. President OMX Market Technology. Other Board duties: Active as Board member of a number of companies within the OMX Group. Shares held in Orc Software AB: –. Call options held in Orc Software AB: –.



ANNETTE KUMLIEN

Malmö. Born 1965. Master of Science in Economics and Business Administration. Member of the Board of Directors of Orc Software AB since 2006. Accounts and Finance manager of Höganäs AB. Shares held in Orc Software AB: –. Call options held in Orc Software AB: –.

Executive Management



THOMAS BILL

Chief Executive Officer. Born 1965. MSc Computer science. Employed by Orc Software AB since 2006. Shares held in Orc Software AB: 500 000 indirectly through part ownership of Monterro, of which 200 000 are related to Thomas Bill. Options held in Orc Software AB: 40 000.



ANDERS BERG

Chief Financial Officer. Born 1962. Business studies. Employed by Orc Software AB since 2007. Shareholding in Orc Software AB: 1 000. Options held in Orc Software AB: 10 000.



PETER BERGSON

Legal Counsel. Born 1965. Master of Laws. Employed by Orc Software AB since 2007. Shareholding in Orc Software AB: -. Options held in Orc Software AB: 10 000.



JOHN CAMERON

Chief Technology Officer. Born 1950. BSc (Hons) Computer science and pure mathematics, MSc Computer science. Employed by Orc Software AB since 2006. Shares held in Orc Software AB: 598 935. Options held in Orc Software AB: 10 000.



MATTEO CARCANO

President, Western Europe. Born 1960. Graduate in Physics. Employed by Orc Software AB since 2004. Shares held in Orc Software AB: -. Options held in Orc Software AB: 10 000.



JAN HALLENIUS

VP Sales Operation. Born 1954. Graduate from the Technical Institute in Stockholm. Employed by Orc Software AB since 2006. Shares held in Orc Software AB: 750. Options held in Orc Software AB: -.



ANDERS HENRIKSSON

President, Benelux, Central and Eastern Europe. Born 1972. MBA and MSc International Business Administration and MSc Engineering Physics. Employed by Orc Software AB since 2000. Shares held in Orc Software AB: 41. Options held in Orc Software AB: 10 000.



MARTIN KOOPMAN

President, North America. Born 1973. BA, Economics and Political Science; Graduate Diploma in Marketing. Employed by Orc Software AB since 2006. Shares held in Orc Software AB: 101 960. Options held in Orc Software AB: 10 000.



FREDRIK SKOGBY

VP Corporate Development. Born 1961. Employed by Orc Software AB since 2005 (1986-2005 employed by OMX). Shares held in Orc Software AB: 3 000. Options held in Orc Software AB: 10 000.



HUGH STABLES

VP Engineering. Born 1964. Master of Science. Employed by Orc Software AB since 2000. Shares held in Orc Software AB: -. Options held in Orc Software AB: 10 000.



ANNIE WALSH

Chief Marketing Officer. Born 1966. BA Communications, Grad. Dip. Media law. Employed by Orc Software AB since 2006. Shares held in Orc Software AB: 3 031. Options held in Orc Software AB: 10 000.



JOACIM WIKLANDER

VP Product Management. Born 1977. Master of Science, Physics and Master of Science, Business Administration and Economics. Employed by Orc Software AB since 2000. Shares held in Orc Software AB: 300. Options held in Orc Software AB: 10 000.

Management's holdings in Orc Software are reported as per March 25, 2007.

Definitions

MARGINS

Operating margin Operating income as a percentage of revenue.

Profit margin Income for the year as a percentage of revenue, which for 2004 and subsequently is the net income for the year attributable to Parent company's shareholders.

PROFITABILITY

Return on capital employed Operating income plus financial income as a percentage of average capital employed.

Return on equity Net income for the year excluding the minority's part of the income for the year as a percentage of average shareholders' equity.

CAPITAL STRUCTURE

Operating capital Total assets reduced by non-interest-bearing debt, including deferred tax liability, as well as 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, reduced by non interest-bearing operating liabilities, excluding tax liabilities.

Capital employed Total assets reduced by non interest-bearing debt, including deferred tax liability. Average capital employed is calculated as opening plus closing capital employed divided by two.

Shareholders' equity Shareholders' equity at year-end excluding minority interest up to and including 2003. As of 2004 the minority interest is included in shareholders' equity in accordance with IFRS. Average shareholders' equity has been calculated as opening plus closing shareholders' equity divided by two, without taking the new issue into account.

Interest-bearing net debt Interest-bearing debt reduced by liquid funds.

Asset turnover ratio Revenue divided by average capital employed.

Net debt / equity ratio Interest-bearing net debt divided by shareholders' equity.

Equity / assets ratio Shareholders' equity including minority interest as a percentage of total assets.

CASH FLOW AND LIQUIDITY

Liquid funds Cash and bank balances as well as short-term investments.

Cash flow before investments Cash flow from operating activities.

Cash flow after investments Cash flow from operating activities reduced by fixed asset investments.

Degree of self-financing Cash flow before investments divided by investments.

INVESTMENTS

Investments in fixed assets Investments in fixed assets after divestments, if applicable.

PERSONNEL

Average number of employees Average number of employees for the year, 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 average number of employees.

Glossary

API – Application Programming Interface. Defines the interface used in communications with software.

Arbitrage – Proprietary traders act on their own or their firm's account.

ATS – Alternative Trading System. An electronic system that is aimed at bringing together buyers and sellers of financial instruments.

Basket trading – Orders involving several shares – a “basket” – as a single order.

Broker – Brokers trade on behalf of their clients, which are institutional and private investors.

ECN – Electronic Communication Network. Electronic trading networks that connect the most prominent brokers and individual traders to enable them to trade directly with each other instead of via middlemen. ECN is a type of ATS.

FAST Protocol – FIX Adapted for Streaming. A compression method for large volumes of data.

FIX – The Financial Information eXchange (FIX) Protocol is a technical specification for electronic communication involving trade-related messages.

FPL – membership-based organization for Financial Information eXchange Protocol.

Market Maker – Market makers have undertaken to regularly place buy and sell prices for the financial instruments to which their undertaking pertains.

MiFID – Markets in Financial Instruments. Regulations prepared by the EU for the European financial markets.

Order routing – Transmitting orders to different destinations based on manual or automatic logic.

Proprietary trading – Players in proprietary trading act on their own or their firm's account.

RegNMS – Regulation National Market System; regulations prepared by the US Securities and Exchange Commission (SEC) for the US financial market.

VWAP order – VWAP stands for Volume Weighted Average Price. A VWAP order is placed at the volume-weighted average price during the day.

Information for shareholders

Forthcoming financial events

April 19, 2007 Interim report, first quarter
April 25, 2007 Annual General Meeting
July 13, 2007 Interim report, second quarter
October 18, 2007 Interim report, third quarter

FINANCIAL INFORMATION

Can be ordered from:
Orc Software, Investor Relations
P.O. Box 7742, SE-103 95 Stockholm, Sweden
Telephone: +46 8 407 38 00
Fax: +46 8 407 38 01
E-mail: ir@orcsoftware.com
Immediately following public release, all financial information is published on www.orcsoftware.com

INVESTOR AND PRESS CONTACT

Investor Relations
Telephone: +46 8 407 38 50
E-mail: ir@orcsoftware.com

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday April 25, 2007 at 5 p.m. (CET) at Orc Software, Birger Jarlsgatan 32A, 5th floor, Stockholm, Sweden.

Attendance

Shareholders wishing to attend the Annual General Meeting must be recorded in the shareholders' register maintained by VPC AB (the Swedish Securities Register Center) no later than April 19, 2007 and must also register with the company at:
Orc Software, Annual General Meeting
P.O. Box 7742
SE-103 95 Stockholm, Sweden
or by telephone at +46 8 407 38 00,
or by e-mail at ir@orcsoftware.com
no later than April 19, 2007 at 4 p.m. (CET)

Nominee-registered 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 VPC AB. Shareholders who wish to re-register their shares must notify their nominee before April 19, 2007.

Dividend

The Board of Directors proposes a dividend of SEK 2.00 per share. The proposed record date for the dividend is April 30, 2007. Provided that the Annual General Meeting approves this proposal the dividend will be paid out through VPC AB on May 4, 2007.

Nominating committee

The nominating committee is composed of Magnus Böcker (OMX), Magnus Eidemo (Skandia Liv), Ulf Strömsten (Catella) and Chairman Björn Lind (SEB).
E-mail: nominatingcommittee@orcsoftware.com
Address:
Orc Software, Nominating Committee
P.O. Box 7742
SE-103 95 Stockholm
Sweden

Addresses

Orc Software Chicago
190 LaSalle Street, Suite 1610
Chicago, IL 60603, USA
Tel. +1 312 327 8555
Fax +1 312 873 3766

Orc Software Frankfurt
Guiollettstrasse 30
60325 Frankfurt am Main, Germany
Tel. +49 69 7167 390
Fax +49 69 7167 3920

Orc Software Hong Kong
18/F, 100 Queen's Road
Central, Hong Kong, China
Tel. +852 2167 1950
Fax +852 2167 8599

Orc Software London
63 Queen Victoria Street
London EC4N 4UA, UK
Tel. +44 20 7942 0950
Fax +44 20 7942 0940

Orc Software Milan
Via Silvio Pellico 12
201 21 Milan, Italy
Tel. +39 02 805 807 1
Fax +39 02 805 807 77

Orc Software Moscow
Ulitsa Koroviy Val 7,
Building 1, Suite 138
Moscow 117049, Russia
Tel. +7 495 771 69 12
Fax +7 495 771 69 12

Orc Software New York
420 Lexington Avenue, Suite 2007
New York, NY 10170, USA
Tel. +1 212 507 0000
Fax +1 212 507 9720

Orc Software Stockholm
Birger Jarlsgatan 32A
PO Box 7742
103 95 Stockholm, Sweden
Tel. +46 8 407 38 00
Fax +46 8 407 38 01

Orc Software St. Petersburg
Bolshoy prospekt P.S. 48
St. Petersburg 197198, Russia
Tel. +7 812 336 99 79
Fax +7 812 336 99 78

Orc Software Sydney
Level 18, 56 Pitt Street
Sydney 2000 NSW, Australia
Tel. +61 2 9240 2400
Fax +61 2 9240 2499

Orc Software Toronto
65 Front St. E, Suite 300
Toronto, Ontario, M5E 1B5, Canada
Tel. +1 416 364 9227
Fax +1 416 364 8733

Orc Software Vienna
Tuchlauben 14/9
A-1010 Vienna, Austria
Tel. +43 1 512 69 93
Fax +43 190 767 55

Orc Software Zurich
Bolleystrasse 29
CH-8006 Zurich, Switzerland
Tel. +41 43 244 9245
Fax +41 43 244 9246

www.orcsoftware.com

ORC

www.orcsoftware.com