

ORC

ANNUAL REPORT
2008

ORC SOFTWARE IS THE GLOBAL FINANCIAL INDUSTRY'S LEADING PROVIDER OF SOLUTIONS FOR ADVANCED TRADING AND LOW LATENCY CONNECTIVITY. ORC PROVIDES THE TOOLS NECESSARY TO MAKE THE BEST FINANCIAL TRADING DECISIONS. ORC'S CUSTOMERS INCLUDE LEADING BANKS, TRADING AND MARKET-MAKING FIRMS, EXCHANGES, BROKERAGE HOUSES, INSTITUTIONAL INVESTORS AND HEDGE FUNDS. ORC ALSO OFFERS HIGH QUALITY CUSTOMER SUPPORT FROM ITS OFFICES IN EUROPE, THE AMERICAS AND ASIA PACIFIC.



2008

+ 11%

REVENUE OF SEK 564M

OPERATING INCOME OF

SEK 93M

THE ANNUALIZED VALUE OF EXISTING CUSTOMER CONTRACTS (ORDER BOOK) ROSE BY 32% TO SEK 645 M (488)

275
EMPLOYEES

OFFICES WORLDWIDE

12



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GROWTH IN REVENUE DESPITE FINANCIAL CRISIS

The financial crisis of 2008 will go down in history as one of the worst in modern time. In this challenging climate, we succeeded more than well in offsetting contract reductions with sales to old and new customers. In the past year our order book grew by 32% and our revenue by 11% in Swedish currency. At the same time, we consolidated our position as the leading provider of solutions for automated trading and advanced derivatives trading.

I believe that Orc will stand even stronger as a company when the crisis has passed.



Market trends favorable for Orc

In 2007 we made a decision to focus on solutions for automated trading and advanced derivatives trading, Orc Trading, and fast and reliable connectivity to global markets, Orc Connect.

Our development in the past year confirms the soundness of this strategy. New marketplaces are being established, there is a widespread shift to automated trading and customers are abandoning in-house solutions in favor of third-party systems. In addition, Orc is benefiting from new business opportunities as market participants increasingly trade derivatives over exchanges rather than dealing directly with each other.

New marketplaces

New marketplaces and trading mechanisms are emerging, as demonstrated by the establishment of another three MTFs (Multilateral Trading Facilities) in Europe during 2008. MTFs are new, electronic cross-border trading platforms that are competing with the traditional exchanges and playing an important role in the new securities environment.

Transparency in expanding derivatives markets

One factor blamed for the current financial crisis is a lack of transparency in derivatives trading. It is estimated that only around 20% of all derivatives trades takes place over exchanges, while the remaining 80% are negotiated directly between the parties. There

are many indications that this type of trading will be increasingly migrated to regulated markets to achieve greater transparency, a trend that is creating good potential to boost demand for Orc's solutions that specifically target customers active in exchange trading of derivatives.

Strong performance in all regions

It is satisfying to note that all regions delivered positive performance in the past year, when we strengthened our position as a global provider with a presence on all continents.

Europe, Middle East and Africa (EMEA)

In 2008 the region's order book grew by 23%. Development was otherwise mixed. Although the value of customer contract reductions was high, these were limited to a few major banks that cut back their investments or took part in restructuring of the banking sector. Among the major European banks, the emphasis was on cost-cutting and consolidation of systems. Contract reductions were also seen among the crisis-stricken Icelandic banks. On the bright side, we benefited from a rising level of activity among smaller players such as mid-sized banks and trading firms, which took new market initiatives and invested for growth.

Market making and trading of structured products such as warrants continued to stand out as strong market segments throughout the European region.

In Western Europe, Orc is also noting rising demand in connection with the establishment of alternative marketplaces. Furthermore, several large European exchanges upgraded their technical platforms at the end of the year, which has created opportunities for Orc to deliver connectivity to new customers with a need to adapt and renew their systems.

Americas

In 2008 the region's order book grew by 45%. Orc's operations in the Americas region showed robust development during the year. Despite massive mergers and serious problems among the major banks, the overall trend for Orc in New York was positive. In Chicago, a high level of activity in the derivatives markets added further to our strong development.

In today's fiercely competitive trading environment, technical performance is critical. Orc Algorithmic Trading enjoyed major sales successes during 2008, not least due to the introduction of new packaged solutions. Performance requirements are also fueling demand for connectivity solutions where Orc is currently enhancing its solutions for CameronFAST, which is built on the established CameronFIX standard.

In order to satisfy the preferences and requirements of customers in the Americas, Orc set up a new development team in Chicago during 2008 and additional sales and support staff were also hired in response to rising demand. Chicago has evolved into one of Orc's largest and most important submarkets.

Asia Pacific (APAC)

The region's order book grew by 46% in 2008. The financial markets of Asia were characterized by high volatility and therefore also favorable conditions for trading. The volume of trading also grew, driven not least by generally rapid growth in derivatives trading in the region. These factors are stimulating demand for Orc's solutions in the areas of automated trading and advanced derivatives trading.

As in Orc's other regions, the value of contract reductions was relatively high but was limited to a few customers. These reductions were more than offset by sales to new and existing customers throughout the region. In 2008 Orc won orders from countries like Japan, Hong Kong, Singapore, South Korea and Australia. Keen demand was noted for Orc's trading solutions for access to the South Korean market, and efforts are also underway in product development of adapted connectivity solutions for the local marketplaces.

In 2008 the leading exchanges in Japan announced plans to upgrade their technical platforms in the coming year, which will directly increase Orc's potential to deliver solutions to customers needing to adapt their systems to the new requirements.

Exchange rates and business model

The past year's drama was not limited to the global equity markets but also spilled over into the foreign exchange arena, where Orc's revenue and expenses are affected mainly by fluctuations in the US dollar and euro rates. However, it is important to remember that we have considerable stability in our underlying revenue stream thanks to a business model based on license by subscription under long-term contracts that normally run for a period of 12 months.

Conditions for sustained growth

In spite of our strong financial position, we do not underestimate the seriousness of the market situation and are seeking areas where we can enhance our efficiency following the rapid growth of recent years. At the end of 2008 we launched an efficiency program that will be fully implemented by mid-year 2009.

Outlook

Amid these turbulent times, Orc is well poised for sustained growth in its markets. This strong position rests on four factors: An order book of SEK 645m, a business model based on subscription revenue that creates long-term stability, our leading solutions and a lean and efficient organization. Furthermore, Orc is completely unleveraged. All in all, these factors provide a solid platform for the coming year and my assessment is that we will increase our order book, revenue and income in 2009.



Stockholm, March 2009

Thomas Bill, CEO

CONNECT and TRADE

Orc Connect

Access to 100+ liquidity pools globally via membership or indirectly through brokers.

Orc Trading

Advanced tools for electronic trading to most financial instruments and asset classes.



Revolution in securities trading

Orc's strategies and offering should be seen against the background of an ongoing shift to borderless electronic trading that has changed the very foundation of the financial markets.

The key trends and drivers include

- technological advances in IT
- automation of trading processes
- powerful growth in trading volumes
- deregulation of national exchange monopolies

Within the regulatory framework established by national and supranational legislators, the markets are developing freely. This represents a revolution not only for the structure of the market but also for the way in which trading is conducted. No category has been left unaffected. Institutions, fund managers, brokers, trading venues, hardware and software vendors must all find their roles in this new environment. The players that are best able to understand and capitalize on these new conditions will be the winners.

New environment ideal for Orc

The current climate of dynamism and innovation in the securities market is ideal for Orc, which sees potential to satisfy new needs.

New liquidity pools

One vital characteristic of any marketplace is good access to the securities that are traded there. In the new environment, these liquidity pools are not limited to the traditional exchanges but are scattered in multiple marketplaces. This means that traders must be connected to all markets to ensure access to information and the ability to act on it when needed.

Automation of trading

The new electronic securities market is leading to a greater degree of automation at every stage of the trading process; before, during and after the transaction.

A large number of trading strategies that were previously handled manually are now defined in computer algorithms that allow full automation. According to the consulting firm Aite Group, algorithmic trading of products such as forwards and futures accounted for close to 35% of the total order flow in 2008, up by nearly 30 percentage points compared to 2004. In 2010 this share is expected to be between 40% and 45%.

Orc's offering

Orc offers robust, fast and reliable solutions for automated trading and fast connectivity. Orc's tools create the conditions for better business decisions through strong analytics, unmatched market access, high performance automated trading functionality, ultra-low latency throughput, ability to trade across multiple asset classes and effective risk management.

Orc offers powerful solutions in two areas that are increasingly critical: Orc Trading for advanced trading and Orc Connect for fast and reliable access to liquidity pools worldwide.

Orc Trading

Orc Trading provides the tools and services that help customers handle increasingly complex trading and quickly capture new business opportunities. The solutions are used by leading banks and financial firms worldwide to conduct advanced trading, such as proprietary trading and market making for electronically-traded instruments.

Orc Trading provides the competitive edge to trade from a single platform that can be used for trading and risk management in any listed instrument, across all asset classes, on more than 100 markets globally.

Orc Connect

Orc's connectivity solutions give customers access to more than 100 liquidity pools worldwide, with outstanding speed, capacity to handle large volumes of market data and high reliability. With these solutions, users gain access to markets in the critical areas of trading, market data and order execution. The customers include buy-side and sell-side firms, exchanges and market makers.

Competition

Orc naturally faces competition from other suppliers. But it's not really relevant to talk about market shares when it comes to Orc, since the company operates in several segments of the market that are highly diverse and continuously evolving. The competitors are of many different types and also vary between geographical regions. The majority are relatively small, privately-owned specialists, some with global coverage and others with a more regional character. A few are listed on the stock market.

The foremost competition comes from users that develop the solutions they need in-house. The greatest potential for Orc lies in persuading these to buy solutions from Orc rather than developing their own. Customers benefit mainly from the ability to focus on their business challenges and avoid having to tie up their own resources in development of technical infrastructure.

Why Orc?

Orc's customers are highly diverse and include some of the world's largest banks, but also small, local trading firms. And while many of them may have had different reasons for choosing Orc, they have most likely been won over by one or perhaps all of the following competitive advantages offered by Orc:

Technology Leadership

Orc continuously develops and fine-tunes its offering to strengthen its leading position as a provider of solutions for advanced trading and high-speed connectivity. Market participants are constantly demanding higher capacity and lower latency from their systems, two factors with a direct impact on competitiveness. Orc is meeting these challenges through a consistent approach to development as a means for safeguarding the company's ability to offer market-leading technology at all times.

Market needs come first

It should be easy to integrate Orc's solutions with any other systems the customers want to use in their trading, whether created in-house or purchased from other independent vendors. Orc has a strong focus on developing flexible solutions that meet the market's needs.

Local presence and distributed organization

Although trading is becoming increasingly globalized, there are still significant regional and local differences owing to cultural patterns, regulatory constraints and different time zones. In order to maintain physical closeness to the customers and adapt its offering to their needs, Orc markets and develops its solutions from 12 offices that are strategically located in global financial centers.

High level of service

Orc is renowned for its high quality customer service and support. For Orc's customers, the solutions are mission-critical. In the global shift to electronic trading, Orc's systems must be up and running 24 hours a day, seven days a week. For that reason, Orc's service offering is an integral aspect of its business and the service organization is a vital part of the company.





FINANCIAL YEAR
2008



DIRECTORS' REPORT

The Board of Directors and the CEO of Orc Software AB (publ), corporate identity number 556313-4583, domiciled in Stockholm, Sweden, hereby submit the accounts for the financial year 2008 for the Parent Company and the Group.

About Orc Software

Orc Software is the leading global provider of powerful solutions for the worldwide financial industry. The company conducts development, sales and support through its own personnel in all major financial centers.

Orc has 12 offices across Europe, the Americas and Asia Pacific.

Orc is listed on the NASDAQ OMX Nordic Exchange Stockholm.

Outlook for 2009

2008 was one of the most tumultuous years of all time on the global financial markets and has affected Orc through the highest customer contract reductions in many years. At the same time, this turbulence and volatility in particular have created significant business opportunities for many of Orc's customers.

Several of the most influential market trends for Orc, such as the establishment of new marketplaces, automation of trading and a transition from in-house to third-party systems, are expected to continue in 2009. Favorable new business opportunities are anticipated for Orc now that derivatives previously traded directly between market participants, such as credit derivatives, are expected to begin trading over exchanges. In addition, Orc sees considerable potential at the regional level, not least through the upgrade to new trading systems currently taking place in Japan, keen demand for automated trading solutions in the Americas and interest from customers in Eastern Europe and the Middle East.

The ongoing problems faced by many financial firms and the global recession that is awaited in 2009 are obviously associated with a risk for additional workforce reductions, lower sales of new customer contracts and increased bad debt losses. Another important factor to be taken into account is the risk for reduced liquidity in the international derivatives markets, which would most likely have a negative impact on Orc's customers.

Orc has a strong portfolio of solutions that are well adapted to current and anticipated demand in 2009. The lean and effective organization in place after the implementation of the efficiency program is also a key component. The business model, in which more than 90% of revenue is generated under long-term contracts, creates stability and a good planning horizon. Furthermore, Orc is entirely unleveraged.

In view of the above, Orc expects to increase its order book, revenue and net income for 2009.

Market

2008 was characterized by a number of market trends that have had a powerful influence on the company's operations: the establishment of new marketplaces, automation of trading, a transition from in-house to third-party systems and difficulties among many of the leading financial firms.

All regions have shown positive development and Orc has strengthened its position as a global supplier with local presence on all continents.

The effects of the financial crisis are visible in all regions. And while the crisis is having a negative impact on some of Orc's customers, it is creating new opportunities for others. Small and mid-sized firms in the financial markets remain on the offensive and are investing in solutions to support growth and profitable trading. Orc is also continuing to do significant business with the major players.

Efficiency program

On December 2, 2008, Orc announced a decision to launch an efficiency program that has now been initiated throughout the organization and will be completed in the first half of 2009.

The program is aimed primarily at concentrating Orc's development and support functions in Europe and the Americas at fewer offices.

In Europe, the St. Petersburg office is being closed and its former development activities are being transferred to other units. Support operations for the EMEA region will be centralized in London and Stockholm, although some staff will remain in place at the local offices to handle tasks requiring physical proximity to the customers. One consequence of this is that the Zurich office has also been closed.

The office in Toronto is being wound up and the support and development activities conducted there are being transferred to Chicago. In addition, the re-organization of support operations is expected to result in more efficient work methods and even higher quality for the customers. The concentration of development activities in Chicago will provide greater scope to focus on one of Orc's largest and most important markets.

All in all, the program will lead to a net workforce reduction of around 45 people. As a result of the program, Orc's operating expenses will decrease by around SEK 40m annually compared to the level in Q3 2008. The full level of cost savings will be reached around mid-year 2009.

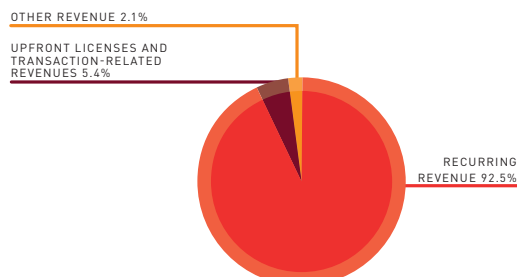
The costs for the program were recognized in Q4 2008 and amounted to approximately SEK 24m, of which roughly half consists of personnel costs. These costs also include an impairment loss of approximately SEK 4m on capitalized development projects, since some of the development work carried out at the closed offices will not be realized.

Net revenue

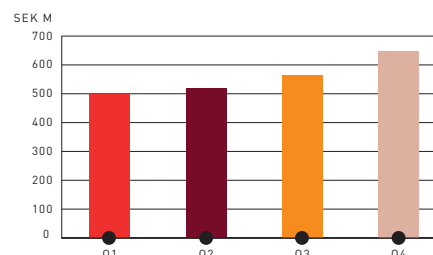
Net revenue for the full year 2008 was SEK 564.2m (508.7), equal to an increase of 11% compared to the prior year. As of January 1, 2008, foreign exchange effects arising among other things from revaluation of balance sheet items in foreign currency are recognized net in operating expenses. Previously, the positive effects were recognized in net revenue and the negative effects in operating expenses. The comparative figures have been restated accordingly.

In addition, network revenue, which was previously recognized as other revenue, is now recognized as system revenue. The comparative figures have been restated accordingly.

BREAKDOWN OF REVENUE IN 2008



ANNUALIZED VALUE OF EXISTING CUSTOMER CONTRACTS IN 2008



Operating expenses

Operating expenses in 2008 rose by SEK 87.8m, or 23%, compared to the previous year and amounted to SEK 470.9m (383.1).

The increase consists mainly of costs attributable to the efficiency program, higher costs for personnel and doubtful debts and increased costs for purchased goods.

Earnings

Operating profit for 2008 was SEK 93.3m (125.6) and operating margin was 17% (25). Net financial items decreased by SEK 11.7m and net income for the period fell by SEK 36.6m, from SEK 101.3m to SEK 64.7m.

Net income for the year included foreign exchange gains of SEK 21.5m (0.8).

The year-on-year decrease in net income for 2008 also reflects the fact that net income for 2007 included a tax-free capital gain of SEK 15.5m on the sale of the shares in Infront AS.

Cash flow, capital expenditure and financial position

Cash flow for the full year 2008 was SEK -29.7 (51.2). The difference in cash flow compared to the previous year consists mainly of an increase of SEK 30.4m in dividends and SEK 32.4m in paid tax.

Cash flow from investing activities of SEK -37.0m was made up of SEK -15.5m in capitalized development costs and SEK -17.4m in office equipment, including computers.

Short-term investments of SEK 26.9m consist of treasury bills. The equity/assets ratio at December 31, 2008, was 54% (56).

Personnel

Orc's employees are organized in four different categories.

- Development and product management. The development staff designs and implements new products and features. Product managers are responsible for analyzing market and customer needs and deciding what to develop.
- Sales and marketing. Sales are conducted from Orc's 12 offices worldwide according to the marketing strategy drawn up for each region and sub-market.
- Services and support. Employees in this category work closely with customers in implementation, education/training and support and are represented at all of Orc's offices.
- Finance & accounting, administration and other group-wide functions. These employees are mainly concentrated in Stockholm.

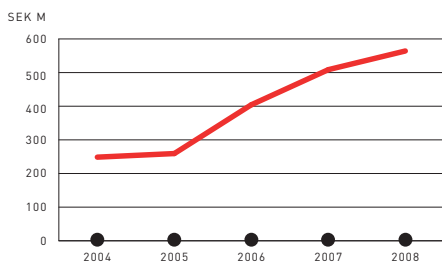
At December 31, 2008, Orc had 277 employees (264).

Environment

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



REVENUE



ENVIRONMENTAL IMPACT Orc's business is based on a standardized software solution for which all production takes place digitally. Orc has also chosen to use a fully electronic delivery process, which means that there are no packages or paper-based documents. The greatest environmental impact factors are energy consumption in the company's offices and passenger air travel.

Development costs

Orc's total development costs in 2008 amounted to SEK 96.3m (76.6), which is equal to 17% (16) of system revenues or 20% (20) of operating expenses. Of these costs, SEK 15.5m (17.0) has been capitalized.

Parent Company

Since 90% of the Group's revenue is attributable to the Parent Company and all major balance sheet items are held by the same, the comments on the consolidated balance sheet and income statement are also applicable to the Parent Company in all essential respects.

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

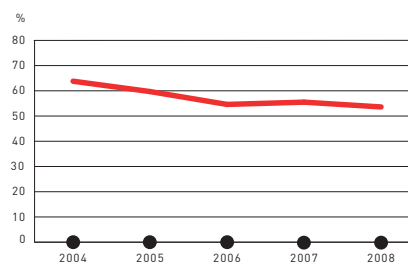
Significant risks and uncertainties

Through its operations, Orc is exposed to certain risks that can impact earnings to a greater or lesser extent. Below is a brief description of the most significant risks and how they are managed.

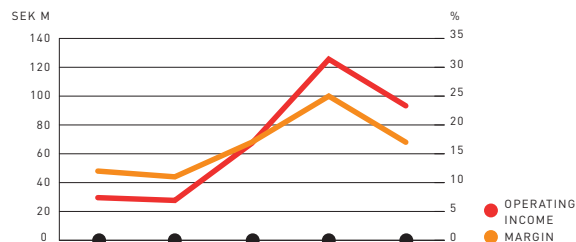
The company operates in a fast-growing industry and a highly volatile market where the ability to predict market needs, and adapt its technical solutions to these, is a critical success factor. In view of this, Orc has a dedicated unit for analysis of market trends to ensure that the company's products remain at the cutting edge and always meet customer needs and requirements. Due to the nature of its business, Orc is dependent on the ability to attract and retain skilled employees. The company is committed to being an attractive employer that offers a good working environment and competitive employment conditions. The



EQUITY/ASSETS RATIO



OPERATING INCOME AND MARGIN



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

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

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

The current uncertainty in the international financial markets and the global economic recession are associated with a risk for additional reductions and lower sales of new customer contracts and increased credit losses. Another significant risk factor to be taken into account is the risk for reduced liquidity in the international derivatives markets, which would most likely have a negative impact on Orc's customers and consequently also affect reductions, sales and credit risk.

Guidelines for remuneration to senior executives

The Board of Directors has drawn up proposed guidelines for determining the level of remuneration and other terms of employment of senior executives. Orc observes both global remuneration practices and the norm in the respective senior executive's homeland. The Board shall have the right to deviate from the guidelines adopted by the Annual General Meeting in individual cases when there is special reason to do so.

The proposed guidelines correspond to those that were proposed by the Board for 2008 and, after approval by the AGM, were applied during the year. Detailed information about remuneration to senior executives is provided in Note 7, page 25.

The basic principles for the remuneration structure in 2009 are:

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

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

The variable salary component can be based on development for the entire company or for that part of the company in which the executive is employed. This development refers to the attainment of predetermined targets. Such targets are determined by the Board and can be related to the financial results or the company's sales performance. The maximum amount of annual variable salary is between 10-60% of basic salary (except in the case of senior executives with direct sales responsibility, for which there is no ceiling).

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

Capital structure

The Orc Software share is traded on the NASDAQ OMX Nordic Exchange Stockholm under the ticker symbol ORC. Each share in Orc Software entitles the holder to one vote at the Annual General Meeting and grants equal rights to participate in the company's assets and income.

Orc's share capital at year-end 2008 amounted to SEK 1,520,228 and was divided between 15,202,282 shares.

At December 31, 2008, Orc had 700,000 outstanding stock options registered to employees. The options have a maximum potential dilutive effect of 4.6% on the number of shares and votes in the company. The new share issue in connection with the 2006/2009 stock option program could increase the share capital by a maximum of SEK 40,000 and 400,000 shares in 2009. The new share issue in connection with the 2008/2010 stock option program could increase the share capital by a maximum of SEK 30,000 and 300,000 shares in 2010. At December 31, 2008, the options had no dilutive effect on earnings per share.

Orc held no shares in treasury at year-end 2008.

At December 31, 2008, there were no agreements limiting the right to transfer shares.

Appropriation of earnings

Orc Software AB (publ)

FUNDS AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:	SEK
Share premium reserve	31,220,151
Retained earnings	70,991,846
Income for the year	44,555,586
Total	146,767,583

THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

PROPOSE THAT THESE FUNDS BE ALLOCATED AS FOLLOWS:	SEK
A stockholder dividend of SEK 4 per share, totaling	60,809,128
To be carried forward to new account	85,958,455
Total	146,767,583

Proposed dividend

The Board of Directors proposes an annual dividend of SEK 4 per share (4), equal to a total distribution of SEK 60,809,128 (60,809,128) for 2008.

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

The proposed dividend to the stockholders will reduce the Parent Company's equity/assets ratio from 41% to 34% and the Group's equity/assets ratio to 49%. In light of the sustained profitability of operations in the Parent Company and the Group, this equity/assets ratio is deemed adequate. It is likewise deemed that liquidity in the Parent Company and the Group can be maintained at an adequate level. In assessing the proposed dividend, the Board has considered Orc's business model in which sales are invoiced quarterly in advance and the outlook for the Parent Company's and the Group's development in 2009.

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

The proposed record date for payment of dividends is May 5, 2009. Provided that the dividend is approved by the Annual General Meeting, dividends are expected to be disbursed by Euroclear Sweden AB (formerly VPC AB) on May 8, 2009.

STATEMENT OF ASSURANCE

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

Stockholm, March 23, 2009



MARKUS GERDIEN
Chairman of the Board



LARS BERTMAR



KATARINA BONDE



PATRIK ENBLAD



LARS GRANLÖF



EVA REDHE RIDDERSTAD



CARL ROSVALL



THOMAS BILL
Chief Executive Officer



CONSOLIDATED income statement

January 1 – December 31

SEK THOUSANDS	Note	2 0 0 8	2 0 0 7
OPERATING REVENUE			
	4, 6		
System revenue		552,136	480,619
Other revenue		12,054	28,076
Total revenue		564,190	508,695
OPERATING EXPENSES			
	5, 6		
Cost of goods sold		-36,917	-28,132
External expenses			
Costs for premises		-32,013	-24,761
Telecom expenses		-9,819	-8,768
Other external expenses	9	-114,875	-78,718
Personnel costs	7, 24	-288,965	-239,962
Work performed by the company for its own use and capitalized		15,492	16,989
Depreciation, amortization and impairment losses	4, 8	-25,333	-20,565
Foreign exchange differences	10, 11	21,500	824
Operating expenses		-470,930	-383,093
Operating income	4, 11, 15	93,260	125,602
FINANCIAL ITEMS			
Financial income	12	3,134	18,767
Financial expenses		-775	-4,728
Net financial items		2,359	14,039
Income after financial items		95,619	139,641
Income tax expense	14	-30,943	-38,345
Income for the year	11	64,676	101,296
Income for the year attributable to minority interests		-	1,291
Income for the period attributable to equity holders of the Parent Company		64,676	100,005
Basic earnings per share, SEK	23	4.25	6.58
Diluted earnings per share, SEK	23	4.25	6.55
Number of shares outstanding at year-end, less Orc's holdings of treasury shares, thousands	23	15,202	15,202
Average number of shares outstanding during the year, less Orc's holdings of treasury shares, thousands	23	15,202	15,202

CONSOLIDATED balance sheet

December 31

SEK THOUSANDS	Note	2 0 0 8	2 0 0 7
ASSETS			
Non-current assets			
Intangible assets	16		
Capitalized development costs		32,773	21,373
Goodwill		167,539	176,867
Other intangible assets		64,027	75,828
Tangible assets	17		
Equipment		33,453	30,142
Financial assets	18, 19	2,160	1,614
Deferred tax assets	14	15,517	7,948
Total non-current assets		315,469	313,772
Current assets			
Current receivables			
Trade receivables	18, 21	171,290	138,915
Prepaid tax	14	10,210	5,980
Derivatives	10, 18	980	–
Other current assets	18, 22	17,513	18,253
Short-term investments	18, 31	26,929	429
Cash and cash equivalents	18, 31	76,859	125,504
Total current assets		303,781	289,081
TOTAL ASSETS	4	619,250	602,853
EQUITY AND LIABILITIES			
	11, 23		
Equity			
Share capital		1,520	1,520
Other contributed capital		127,979	126,918
Reserves		–10,066	–65
Retained earnings		212,396	206,354
Total equity		331,829	334,727
Non-current liabilities			
Deferred tax liability	14	47,051	49,435
Total non-current liabilities		47,051	49,435
Current liabilities			
Trade payables	18, 25	16,643	14,936
Tax liabilities	14	10,276	23,495
Derivatives	10, 18	–	575
Other current liabilities	18, 26	213,451	179,685
Total current liabilities	4	240,370	218,691
TOTAL EQUITY AND LIABILITIES		619,250	602,853
Pledged assets		None	None
Contingent liabilities		None	None

CONSOLIDATED statement of changes in equity

January 1 – December 31

2 0 0 8

SEK THOUSANDS	Attributable to equity holders of the Parent Company				
	Share capital	Other contributed capital	Reserves	Retained earnings	Total
Opening balance at January 1, 2008	1,520	126,918	-65	206,354	334,727
Dividend for 2007	-	-	-	-60,809	-60,809
Change due to returned shares	-	-	-	910	910
Change due to employee stock options	-	1,061	-	-	1,061
Translation differences	-	-	-9	1,265	1,256
Translation differences on intangible assets	-	-	-9,992	-	-9,992
Income for the year attributable to equity holders of the Parent Company	-	-	-	64,676	64,676
Closing balance at December 31, 2008	1,520	127,979	-10,066	212,396	331,829

Net income and expenses for the period, i.e. calculated as the sum of income and expenses recognized through profit/loss and directly in equity, amounted to SEK 55.9m at December 31, 2008. Of this amount, SEK 55.9m is attributable to equity holders of the Parent Company.

2 0 0 7

SEK THOUSANDS	Attributable to equity holders of the Parent Company					Attributable to minority	Total
	Share capital	Other contributed capital	Reserves	Retained earnings	Total		
Opening balance at January 1, 2007	1,520	125,829	-8,196	136,753	255,906	2,945	258,851
Dividend for 2006	-	-	-	-30,404	-30,404	-	-30,404
Change in subsidiaries (buyout of minority, etc.)	-	-	-	-	-	-4,118	-4,118
Translation difference in minority interests	-	-	-	-	-	-118	-118
Change due to employee stock options	-	1,089	-	-	1,089	-	1,089
Translation differences	-	-	668	-	668	-	668
Translation differences on intangible assets	-	-	7,463	-	7,463	-	7,463
Income for the year attributable to equity holders of the Parent Company	-	-	-	100,005	100,005	-	100,005
Income for the year attributable to minority interests	-	-	-	-	-	1,291	1,291
Closing balance at December 31, 2007	1,520	126,918	-65	206,354	334,727	-	334,727

Net income and expenses for the period, i.e. calculated as the sum of income and expenses recognized through profit/loss and directly in equity, amounted to SEK 109m at December 31, 2007. Of this amount, SEK 108m is attributable to equity holders of the Parent Company and SEK 1m to minority interests.

CASH FLOW STATEMENT January 1 – December 31

SEK THOUSANDS	Note	Group		Parent Company	
		2 0 0 8	2 0 0 7	2 0 0 8	2 0 0 7
OPERATING ACTIVITIES					
Operating income		93,260	125,602	53,453	81,699
Adjustments for non-cash items					
Depreciation, amortization and impairment losses	8	25,333	20,565	10,214	7,573
Other adjustments for non-cash items		19,591	3,607	-5,161	-3,636
Financial items	29	2,359	-2,842	888	3,971
Income tax paid	14	-60,737	-28,368	-32,442	-13,643
Cash flow from operating activities before changes in working capital		79,806	118,564	26,952	75,964
CHANGES IN WORKING CAPITAL					
Change in trade receivables		-32,868	-57,032	-68,266	-36,647
Change in operating assets		-4,520	-6,381	-1,219	-5,048
Change in trade payables		1,811	3,600	1,373	4,655
Change in operating liabilities		22,795	41,376	108,662	28,838
Total change in working capital		-12,782	-18,437	40,550	-8,202
Cash flow from operating activities		67,024	100,127	67,502	67,762
INVESTING ACTIVITIES					
Purchase of intangible assets	16	-15,492	-16,989	-15,492	-16,989
Purchase of tangible assets	17	-17,433	-20,178	-7,002	-11,130
Investments in operations*	20, 30	910	-49	910	-49
Divestment of operations	30	-	656	-	6,009
Changes in financial assets	19	-4,987	18,064	-	22,639
Cash flow from investing activities		-37,002	-18,496	-21,584	480
FINANCING ACTIVITIES					
Dividends	23	-60,809	-30,404	-60,809	-30,404
Issue of stock options		1,061	-	-	-
Group contributions rendered		-	-	-	-9,796
Cash flow from financing activities		-59,748	-30,404	-60,809	-40,200
Change in cash and cash equivalents		-29,726	51,227	-14,891	28,042
Cash and cash equivalents at beginning of year	31	125,933	74,664	78,194	50,425
Translation/foreign exchange difference in cash and cash equivalents	31	7,580	42	-	-273
Cash and cash equivalents at end of year	31	103,787	125,933	63,303	78,194

* The positive amount refers to a gain on the sale of treasury shares that were returned in connection with final settlement of the acquisition of Cameron Systems.

PARENT COMPANY income statement

January 1 – December 31

SEK THOUSANDS	Note	2 0 0 8	2 0 0 7
OPERATING REVENUE			
	4, 6		
System revenue		523,492	402,314
Work performed by the company for its own use and capitalized		15,492	16,989
Other revenue		9,931	17,460
Total revenue		548,915	436,763
OPERATING EXPENSES			
	6		
Cost of goods sold		-36,403	-29,017
External expenses			
Costs for premises		-11,017	-8,797
Telecom expenses		-2,713	-2,220
Other external expenses	9	-349,873	-219,291
Personnel costs	7	-104,427	-87,758
Depreciation, amortization and impairment losses	8	-10,214	-7,573
Foreign exchange differences		19,185	-408
Operating expenses		-495,462	-355,064
Operating income	15	53,453	81,699
FINANCIAL ITEMS			
Financial income	12	1,726	24,775
Financial expenses		-838	-1,630
Net financial items		888	23,145
Income after financial items		54,341	104,844
Appropriations	13	7,947	2,108
Income tax expense	14	-17,732	-25,307
Income for the year		44,556	81,645

PARENT COMPANY

balance sheet
December 31

SEK THOUSANDS	Note	2 0 0 8	2 0 0 7
ASSETS			
Non-current assets			
Intangible assets	16		
Capitalized development costs		32,773	21,373
Tangible assets	17		
Equipment		17,041	18,948
Financial assets			
Shares in Group companies	20	297,997	267,907
Other financial assets	19	12	12
Deferred tax assets	14	407	785
Total non-current assets		348,230	309,025
Current assets			
Current receivables			
Trade receivables		168,701	100,435
Receivables from Group companies		7,833	6,175
Prepaid tax	14	11,512	3,174
Derivatives		980	-
Other current assets	22	15,530	9,002
Short-term investments	31	14,750	-
Cash and cash equivalents	31	48,553	78,194
Total current assets		267,859	196,980
TOTAL ASSETS		616,089	506,005
EQUITY AND LIABILITIES			
	11, 23		
Equity			
Restricted equity			
Share capital		1,520	1,520
Capital reserves		37,437	37,437
Non-restricted equity			
Share premium reserve		31,220	31,220
Retained earnings		70,992	55,331
Income for the year		44,556	81,644
Total equity		185,725	207,152
Untaxed reserves		89,714	97,660
Provisions			
Deferred tax liabilities	14	2,106	-
Total provisions		2,106	-
Current liabilities			
Trade payables	25	14,584	13,211
Liabilities to group companies		155,550	44,674
Tax liabilities	14	-	11,223
Derivatives		-	575
Other current liabilities	26	168,410	131,510
Total current liabilities		338,544	201,193
TOTAL EQUITY AND LIABILITIES		616,089	506,005
Pledged assets		None	None
Contingent liabilities		None	None

PARENT COMPANY statement of changes in equity

January 1 – December 31

2 0 0 8

SEK THOUSANDS	Share capital	Capital reserves	Non-restricted equity	Total
Opening balance at January 1, 2008	1,520	37,437	168,195	207,152
Dividend for 2007	-	-	-60,809	-60,809
Transfer of treasury shares	-	-	910	910
Group contributions rendered	-	-	-6,084	-6,084
Income for the year	-	-	44,556	44,556
Closing balance at December 31, 2008	1,520	37,437	146,768	185,725

2 0 0 7

SEK THOUSANDS	Share capital	Capital reserves	Non-restricted equity	Total
Opening balance at January 1, 2007	1,520	37,437	124,008	162,965
Dividend for 2006	-	-	-30,404	-30,404
Group contributions rendered	-	-	-7,053	-7,053
Income for the year	-	-	81,644	81,644
Closing balance at December 31, 2007	1,520	37,437	168,195	207,152

MULTI-YEAR OVERVIEW*

SEK MILLIONS	1998	1999	2000	2001	2002	2003	2004**	2005**	2006**	2007**	2008**
OPERATING ACTIVITIES											
Operating revenue	41.1	83.7	131.3	209.7	275.3	249.1	248.6	259.3	404.3	508.7	564.2
Operating expenses excluding depreciation, amortization, impairment losses and personnel costs	-11.6	-29.0	-38.5	-46.6	-67.5	-68.3	-85.9	-82.2	-108.2	-122.6	-156.7
Personnel costs	-12.2	-20.1	-40.0	-69.9	-82.4	-93.2	-115.5	-133.3	-205.4	-239.9	-288.9
Depreciation, amortization and impairment losses	-2.2	-3.5	-3.2	-6.9	-10.7	-13.1	-17.7	-16.2	-23.5	-20.6	-25.3
Operating income	15.1	31.1	49.7	86.3	114.6	74.5	29.6	27.7	67.3	125.6	93.3
Net financial items	0.9	1.0	3.4	7.1	8.5	5.6	2.8	5.4	0.9	14.0	2.4
Income after financial items	16.1	32.1	53.1	93.4	123.1	80.1	32.4	33.1	68.2	139.6	95.6
Income tax expense	-4.5	-10.0	-12.4	-28.4	-36.0	-23.7	-11.1	-12.6	-17.3	-38.3	-30.9
Minority share in income for the year	-	-	-	0.1	0.1	-0.8	n/a	n/a	n/a	n/a	n/a
Income for the year	11.6	22.1	40.7	65.1	87.2	55.6	21.3	20.5	50.9	101.3	64.7
Income for the year attributable to minority interests	n/a	n/a	n/a	n/a	n/a	n/a	-2.1	0.4	0.9	1.3	-
Income for the year attributable to equity holders in the Parent Company	n/a	n/a	n/a	n/a	n/a	n/a	23.4	20.1	50.0	100.0	64.7
BALANCE SHEET											
Non-current assets	5.3	8.2	17.0	23.2	42.8	48.6	58.7	30.3	297.2	313.8	315.5
Trade receivables	5.6	5.7	24.9	38.9	36.2	40.7	43.1	48.1	82.8	138.9	171.3
Other receivables	3.5	2.2	5.0	6.7	12.3	13.0	24.5	16.7	19.6	24.2	28.7
Cash and cash equivalents	31.2	65.9	159.1	224.3	273.8	251.9	186.2	226.9	74.7	125.9	103.8
Total assets	45.5	82.0	206.0	293.1	365.1	354.2	312.5	322.0	474.3	602.8	619.3
Equity	24.7	57.3	147.3	191.8	245.1	244.3	199.2	192.2	258.9	334.7	331.8
Minority interests	-	-	-	0.7	0.5	1.3	n/a	n/a	n/a	n/a	n/a
Deferred tax liabilities	2.7	4.7	6.9	12.4	19.6	23.6	25.3	26.3	51.2	49.4	47.1
Current liabilities	18.1	20.0	51.8	88.2	99.9	85.1	88.0	103.5	164.2	218.7	240.4
Total equity and liabilities	45.5	82.0	206.0	293.1	365.1	354.2	312.5	322.0	474.3	602.8	619.3

* No consolidated accounts were prepared for the financial year 1998, since the subsidiaries in the Group at that time conducted only limited operations and invoicing was almost exclusively carried out via the Parent Company. To achieve comparability with the consolidated accounts for other years, the consolidated income statements, balance sheets and cash flow statements are presented based on the audited annual accounts for Orc Software AB and its subsidiaries for 1998, which means that the subsidiaries are consolidated in the accounts for this year. However, this consolidation has led to only marginal changes compared to the audited Parent Company figures for the same year.

** For the years 2004–2008, the accounts are presented in compliance with IFRS. The accounts for 1997–2003 are presented according to the previously applied accounting principles.

KEY RATIOS

SEK MILLIONS UNLESS OTHERWISE SPECIFIED	1998	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008***
MARGINS											
Operating margin, %	36.8	37.1	37.8	41.1	41.6	29.9	11.9	10.0	16.6	24.7	16.5
Profit margin, %	28.1	26.4	31.0	31.0	31.7	22.3	9.5	7.9	12.6	19.9	11.5
RETURN											
Return on capital employed, %	75.6	78.4	52.0	55.2	56.5	33.3	17.2	18.9	30.5	48.6	28.9
Return on equity, %	54.1	53.8	39.8	38.4	39.9	22.7	10.6	10.4	22.4	33.9	19.4
CAPITAL STRUCTURE											
Operating capital	-6.4	-8.6	-11.8	-32.4	-28.7	-7.6	-7.2	-34.7	184.2	208.8	228.0
Capital employed	24.7	57.3	147.3	191.1	244.6	245.6	199.2	192.2	258.9	334.7	331.8
Equity	24.7	57.3	147.3	191.8	245.1	244.7	199.2	192.2	258.9	334.7	331.8
Interest-bearing net debt	-31.2	-65.9	-159.1	-224.3	-273.8	-251.9	-186.2	-226.9	-74.7	-125.9	-103.8
Capital turnover ratio, multiple	1.9	2.0	1.3	1.2	1.3	1.0	1.2	1.4	1.9	1.8	1.7
Net debt/equity ratio, multiple	-1.3	-1.2	-1.1	-1.2	-1.1	-1.0	-0.9	-1.2	-0.3	-0.4	-0.3
Equity/assets ratio, %	54.3	69.9	71.5	65.4	67.1	69.0	63.8	59.7	54.6	55.5	53.6
CASH FLOW AND LIQUIDITY											
Cash flow before investments	19.6	30.6	55.8	99.1	115.5	56.0	32.6	51.0	93.8	100.1	67.0
Cash flow after investments	15.2	24.2	43.9	85.0	83.6	34.5	3.1	59.0	-98.3	81.6	30.0
Cash and cash equivalents	31.2	65.9	159.1	224.3	273.8	251.9	186.2	226.9	74.7	125.9	103.8
Self-financing ratio, multiple	4.5	4.9	4.7	7.0	3.6	2.6	1.1	-6.4*	0.5	5.4	1.8
INVESTMENTS											
Investments in non-current assets	-4.4	-6.3	-11.9	-14.1	-31.9	-21.5	-29.6	7.9	-192.1	-18.5	-37.0
EMPLOYEES											
Average number of employees	25	42	67	94	124	137	157	186	227	263	275
Revenue per employee**	n/a	2.0	2.0	2.2	2.2	1.8	1.6	1.4	1.8	1.9	2.1
Value added per employee**	n/a	1.2	1.3	1.7	1.6	1.2	0.9	0.9	1.2	1.4	1.4

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

** Not applicable for 1998 when employees in the distribution operations acquired by OMX are not included in the average number of employees.

*** As of January 1, 2008, foreign exchange differences are recognized net within operating expenses. See Note 11. Restated from 2004 onward.

CASH FLOW

SEK MILLIONS	1998	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008**
Operating revenue	41.1	83.7	131.3	209.7	275.3	249.1	248.6	259.3	404.3	508.7	564.2
Operating expenses excl. depreciation, amortization and impairment losses	-23.7	-49.2	-78.4	-116.6	-150.0	-161.5	-201.3	-215.5	-313.5	-362.5	-445.6
Income before depreciation, amortization and impairment losses	17.4	34.5	52.9	93.1	125.3	87.6	47.3	43.8	90.8	146.2	118.6
Change in working capital	4.9	3.1	9.8	20.7	4.2	-2.6	0.5	6.5	12.5	-18.4	-12.8
Investments in non-current assets	-4.4	-6.3	-11.9	-14.1	-31.9	-21.5	-29.6	7.9	-192.1	-18.5	-37.0
Cash flow before net financial items and tax	17.9	31.3	50.8	99.7	97.6	63.5	18.2	58.2	-88.8	109.3	68.8



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NOTES

NOTE 1. ACCOUNTING POLICIES OF THE GROUP

Company information

The consolidated accounts of Orc Software AB for the financial year 2008 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 29, 2009, for adoption. The Parent Company is a Swedish public limited company (publ) that is listed on the NASDAQ OMX Nordic Exchange Stockholm and domiciled in Stockholm, Sweden.

The Group's primary business activity is the provision of technology for advanced securities trading, market making and brokerage.

Compliance with norms and laws

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS), which is in compliance with Swedish law through the application of the Swedish Financial Reporting Board's recommendations RFR 1.1, Supplementary Rules for Consolidated Financial Statements, and RFR 2.1, Accounting for Legal Entities, in the Parent Company.

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

Basis of presentation

The consolidated accounts are based on historical acquisition values, with the exception of financial derivatives, available-for-sale financial investments and financial assets measured at fair value through profit or loss. These exceptions are reported at fair value.

Critical accounting estimates and assumptions

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

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

IMPAIRMENT TESTING When the Group assesses goodwill for impairment, value in use is determined on the basis of forecasted future cash flows from the cash-generating units. The impairment test also includes the determination of a relevant discount rate for these cash flows.

USEFUL LIVES OF INTANGIBLE ASSETS The Group has made assessments about the useful lives of brands, customer relationships and technology identified in the purchase price allocation for Cameron Systems, which affect recognized amortization expenses in the income statement and valuation of assets in the balance sheet.

TRADE RECEIVABLES On the balance sheet date, the Group has estimated the value of trade receivables according to the procedure described under "Loans and receivables" below. These estimates may be changed in future reporting periods when the Group updates its assessment of the probability of obtaining payment for the trade receivables.

CAPITALIZATION OF DEVELOPMENT COSTS Development costs are capitalized according to the procedure described under "Product development costs" below. Determination of the amounts to be capitalized requires the Group to make assumptions about the anticipated future cash flows from the assets and the choice of discount rate for these cash flows.

Scope of consolidation

The consolidated financial statements include the Parent Company and all subsidiaries in which the Parent Company directly or indirectly has a controlling influence, as well as associated companies in which the Parent Company has a significant influence. All subsidiaries are consolidated according to the purchase

method of accounting, whereby the carrying amount of the Parent Company's investment is eliminated primarily against equity in the respective company and secondarily against reserves. Companies that are acquired during the year are included in the consolidated accounts from the date on which the controlling or significant influence passes to the Group until the date on which the influence ceases.

All intra-group balances and transactions, including unrealized gains or losses arising from intra-group transactions, are eliminated in full on consolidation.

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

Of the Group's distributable earnings, approximately 79% is attributable to Swedish companies. Local dividend restrictions do not have any significant impact on the Group's dividend capacity.

ASSOCIATED COMPANIES Where applicable, associated companies are reported according to the equity method. The consolidated income statement reflects the Parent Company's share in profit/loss of associated companies, which is recognized in financial items. In the balance sheet, the value of the investment in associated companies is recognized as a separate item. This value changes with the Parent Company's share in the respective company's profit/loss after tax, less dividends received and other adjustments. Undistributed profits in associated companies are recognized in retained earnings in consolidated equity. When the value of the Group's investment in an associated company has been reduced to zero, additional losses and liabilities are recognized only if the Group has assumed a legal obligation to cover these losses.

MINORITY INTEREST The minority share in income for the year is recognized in consolidated income. However, profit or loss attributable to the minority must be presented on a separate line in the income statement. Earnings per share are calculated on the basis of the period's profit or loss attributable to the majority. The minority share in equity is part of consolidated equity, but is recognized separately.

GOODWILL In accordance with IFRS 3, Business Combinations, goodwill has an indefinite useful life and is therefore not amortized. Instead, goodwill is tested for impairment at least annually or more frequently if events or circumstances indicate a possible impairment. Impairment exists when the recoverable amount is lower than the carrying amount. The recoverable amount is the lower of net selling value or value in use. Impairment losses are recognized in the income statement. Goodwill is thus recognized at cost less accumulated impairment losses and represents the amount by which the fair value of purchase consideration given in connection with a business combination exceeds the fair value of the acquired operation's identifiable net assets on the acquisition date.

IFRS 3 BUSINESS COMBINATIONS is applied for business combinations, whereby the fair values of identifiable assets and liabilities in the acquired operation are determined on the acquisition date. These fair values include shares in assets and liabilities attributable to any minority interests in the acquired operation. Identifiable assets and liabilities also include assets, liabilities and provisions including obligations and claims from external parties that are not recognized in the acquired operation's balance sheet. No provisions are made for the cost of planned restructuring activities following an acquisition. The difference between the cost of acquisition and the Group's share of identifiable net assets of the acquired operation is classified as goodwill and is recognized as an intangible asset in the balance sheet.

BUY-OUT OF MINORITY When Orc has acquired shares from minority stockholders, the company has considered this to be a transaction between stockholders and has applied the so-called Entity Concept Method. According to this method, no gains or losses arise in the consolidated income statement on the purchase or sale of shares where Orc has a controlling influence both before and after the transaction. Instead, the transaction is recognized directly in equity.

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

FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES All items in the financial accounts of the various Group units are valued in the currency of the primary economic environment in which the subsidiary operates (functional currency). The functional currencies of the subsidiaries are the local currencies of the respective countries. The consolidated accounts are presented in SEK, which is the functional and presentation currency of the Parent Company.

The balance sheets of foreign subsidiaries are translated to SEK at the closing day rate of exchange and all items in the income statement are translated at the average rate during the year. Any translation differences thus arising are not recognized over the income statement but are taken directly to equity.

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

SHARE-BASED PAYMENT Orc Software AB has implemented two stock option programs for the benefit of its employees. Both programs are divided into two sub-programs – one for employees in Sweden and one for employees outside Sweden. Employees in Sweden are invited to acquire options at market price. Employees outside Sweden receive consideration-free stock options that may be exercised if the holder is still employed at the time of share subscription.

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

The options granted to employees free of consideration are regarded as a benefit and are expensed in the income statement on a straight-line basis over the vesting period. Orc's program refers to equity-settled share-based payments, which means that the fair value of the option at the date of grant multiplied by the number of options granted is expensed over the vesting period of two years. A corresponding amount is recognized as an increase in equity. The number of options granted is reduced by the estimated rate of employee turnover. Any employment terminations and the estimated employee turnover rate are taken into account in every valuation, and any adjustments are recognized as an increase or decrease in personnel costs. However, no adjustment is made with respect to the fair value of the options.

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

EARNINGS PER SHARE According to IAS 33, Earnings per Share, both basic and diluted earnings per share must be stated for all periods presented. Diluted earnings per share are calculated after adjustment for the effects of dilutive options in the company. The dilutive effect arising from Orc's stock option program, which is accounted for in accordance with IFRS 2, is calculated with respect to the value of future services to be delivered by the employees to the Group.

Development costs

The main principle is that research and development costs for existing products are expensed as incurred. Costs for development of new products are capitalized according to the principles described below.

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

- it is probable that the future economic benefits attributable to the asset will flow to the Group,
- the cost of the asset can be measured reliably,
- the company has the intention and ability to complete the asset,
- the company has adequate technical, financial and other resources to complete development and to use or sell the asset, and
- the cost of completing the intangible asset can be measured reliably.

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

The cost of an internally generated intangible asset is the sum of the costs arising from the date on which the intangible asset first meets the criteria stated above until the asset is completed and ready for use. Internally generated intangible assets are amortized on a straight-line basis over the useful life of the asset, from the date on which the asset is ready for use. Internally generated intangible assets are stated at cost less accumulated amortization and impairment losses and are tested for impairment at least annually, or more frequently if events or circumstances indicate that the value may not be recoverable.

These intangible assets are recognized within "Capitalized development costs".

Work on assets capitalized as intangible assets is recognized within "Work performed by the company for its own use and capitalized" in the income statement. This item consists primarily of personnel costs, costs for premises and external expenses for consulting services. Work performed by the company for its own use and capitalized is a cost reduction in the consolidated income statement.

Other intangible assets

The item "Other intangible assets" is attributable in its entirety to Cameron Systems. This item is stated at cost less accumulated amortization and impairment losses, and is tested for impairment at least annually, or more frequently if events or circumstances indicate that the value may not be recoverable.

Other intangible assets attributable to Cameron Systems consists of brands, customer relationships and technology, and are amortized on a straight-line basis over their respective useful lives of 60, 120 and 180 months from the acquisition date.

Tangible assets

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

Tangible assets are depreciated on a straight-line basis over their expected useful lives as follows:

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

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

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

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

Financial assets and liabilities

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

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS Derivative financial assets and liabilities are measured at fair value through profit or loss in cases where hedge accounting is not applied. The effect on profit/loss is recognized net in "Other external expenses".

The fair value of derivative contracts is recognized gross in the balance sheet as derivative assets or liabilities within the balance sheet item "Derivatives". The fair values of derivatives traded on an active market have been determined on the basis of quoted market prices.

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

CONT'D, NOTE 1

LOANS AND RECEIVABLES Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Assets in this category are initially measured at amortized cost. Gains and losses are recognized in the income statement when the loan or receivable is derecognized from the balance sheet or until the value of the financial asset is written down. Trade receivables are initially measured at invoiced amount. Provisions for doubtful debts are made when it is no longer probable that the full amount of the receivable will be recovered. Doubtful debts are not written off in full until the loss is confirmed.

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

Long-term stockholdings which do not comprise shares in subsidiaries or associated companies have been classified in this category. In 2007 and 2008 the Group had no assets in this category.

FINANCIAL LIABILITIES AT AMORTIZED COST Other financial liabilities are recognized at amortized cost, where cost is measured at fair value on the acquisition date. For borrowings, this corresponds to the amount received less any transaction costs. Trade payables and certain other liabilities belong to this category.

Derivatives and hedge accounting

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

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

Leases

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

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

Lease income for leased hardware is recognized in the income statement over the term of the lease. Costs attributable to lease income are expensed as incurred. The depreciation policy for leased assets is consistent with that for the Group's owned assets of the same type. The lease contracts essentially follow the term of the customer contracts and are invoiced quarterly in advance.

Revenue recognition

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

SYSTEM REVENUE

Sale of software licenses

The Group's total revenue consists mainly of revenue from software licenses. The majority of sales are invoiced quarterly in advance and revenue is recognized over the quarter to which the invoice refers. In certain cases, Orc instead receives an initial payment on delivery with an annual support and maintenance fee. Revenue on the initial payment is recognized on the invoice date and the support and maintenance fee is recognized over the period in question.

Transaction-based revenue

Some of the Group's revenue is transaction-based. This revenue is recognized in the quarter in which the transaction took place.

HARDWARE REVENUE

Revenue is recognized when the significant risks and rewards of ownership of the product have been transferred to the buyer and the amount of revenue can be measured reliably.

Sales commissions

Sales commissions are paid quarterly in arrears and are payable both on new sales and contract renewals.

Sales commissions for new sales are based on the annual value of sold contracts. This means that the company pays and expenses the sales commissions immediately, while the related revenue is recognized over a period of 12-36 months from the date of sale.

Sales commissions on contract renewals are payable when 95% of the region's customers have renewed their contracts during a quarter and the commission is significantly lower than that for new sales.

The commission levels for new sales and contract renewals are reviewed yearly.

Segment reporting

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

Orc's opportunities and risks are influenced mainly by the company's activity in different geographical areas based on where the customers are found, for which reason the primary basis for segmentation is geographical areas. Orc's products and services are of a similar nature, cater to a similar category of customers, are distributed in a similar manner and have a similar production process. Orc's operations are thus made up of only one segment and no division into separate business segments is made. Consequently, Orc has no secondary basis for segmentation.

The local operations consist mainly of sales and support activities, and in certain cases development. Functions such as Executive management, legal affairs, human resources, finance and accounting, administration, marketing, development, etc., are largely centralized and are considered to be joint Group resources. This means that a large share of the Group's expenses cannot be reliably attributed to any specific geographical area and therefore remain unallocated. All intra-group transactions are of such nature that they cannot be attributed to any segment. Assets in the Group have been attributed to the respective segments as far as possible, but for example, goodwill and intangible assets at the Group level cannot be attributed to any specific geographical area and therefore remain unallocated.

Cash flow statement

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

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

CONT'D, NOTE 1

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

Related party transactions

Related parties are companies that directly or indirectly have a significant influence over Orc. Subsidiaries and associated companies are defined as related parties.

Related physical persons are defined as Board members, key management personnel and close family members to these individuals.

Disclosures are made if related party transactions lead to the transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. This information includes disclosures about the nature of the related party relationship and about the effect of this relationship on the financial reports.

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

Income tax

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

NOTE 2. ACCOUNTING POLICIES OF THE PARENT COMPANY

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

The Parent Company applies RFR 2.1, Accounting for Legal Entities. Below is a description of the most significant differences between the accounting policies applied in the Group and in the Parent Company.

Untaxed reserves

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

Shares in Group companies

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

Participations in associated companies

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

Division between non-restricted and restricted equity

No division is made between non-restricted and restricted equity in the consolidated balance sheet. However, this division is made in the Parent Company in accordance with the provisions in the Swedish Companies Act.

Work performed by the company for its own use and capitalized

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

CONT'D, NOTE 2

Presentation of the balance sheet, income statement and terminology

The presentation of the income statement and balance sheet and terminology used by the Group and the Parent Company may differ, since the Group complies with IAS 1 and the Parent Company with the Swedish Annual Accounts Act as well as the requirements in RFR 2.1, Accounting for Legal Entities, and RFR 1.1, Supplementary Rules for Consolidated Financial Statements.

NOTE 3. CHANGES IN ACCOUNTING POLICIES OF THE GROUP

The Group has applied the same accounting policies as in the previous year with the exception of the following:

NEW AND REVISED IFRSs AND IFRIC INTERPRETATIONS IN 2008

The Group applied the following new and revised IFRSs and IFRIC interpretations in 2008. Compliance with these standards and interpretations has not had any significant impact on the financial statements of the Group. The other revisions and interpretations have not been deemed relevant for Orc's operations.

IFRIC 11, IFRS 2, Group and Treasury Share Transactions

IFRIC 11 addresses how to apply IFRS 2 Share-based Payment to share-based payment arrangements involving an entity's own equity instruments or equity instruments of the Parent Company. Orc has updated its accounting policies in accordance with this. The interpretation is not expected to have any effect on Orc, since no such transactions have taken place.

IFRIC 14 – The Limit on a Defined Benefit Asset Minimum Funding Requirements

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognized as an asset. The purpose of the interpretation is to standardize practice and ensure that entities recognize an asset in relation to a surplus on a consistent basis. The interpretation has not had any impact on Orc's financial position, since Orc has no defined benefit pension plan. However, the interpretation could have an effect if the Group introduces defined benefit pension plans in the future.

IAS 39 and IFRS 7 (amendment) – Reclassification of financial instruments

The amendment permits the reclassification of financial instruments out of the category "fair value through profit or loss", with the exception of derivatives and assets assigned to this category on initial recognition, to another category under certain specific conditions. The amendment also permits reclassification out of available-for-sale financial assets to loans and receivables in limited circumstances. The Group has not held any such instruments, which means that the application of this amendment has not had any impact on the Group's financial position or results.

FUTURE CHANGES IN ACCOUNTING STANDARDS

Several new or revised standards have been issued and are intended to be effective for financial periods beginning on or after January 1, 2009. Below are comments on those, under the present circumstances, that can be expected to have any effect on the accounting standards currently applied by the Group.

IFRS 2 – Share-based payment (amendment)

This amendment was issued in 2008 and clarifies the definition for vesting conditions and specifies the accounting treatment of cancellations. The amendment is effective January 1, 2009.

IFRS 8 – Operating segments

Among other things, this standard requires increased disclosures about the financial performance of operating segments that can consist of products and services or geographical areas, or a combination of both. The IFRS requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segment. Orc is currently analyzing what impact this standard will have on the reported segments. IFRS 8 is effective January 1, 2009.

CONT'D, NOTE 3

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

The revised standards are effective for annual periods beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in accounting for business combinations carried out after this date, which will affect the amounts of recognized goodwill, recognized profit or loss for the period in which the acquisition is carried out and recognized profit or loss for future periods. IAS 27R requires that subsequent transactions in subsidiary equity interests between the parent and non-controlling interests (both acquisitions and disposals that do not result in a loss of control) be accounted for as equity transactions, which is consistent with Orc's previous treatment of transactions of this type.

The amendments to IFRS 3R and IAS 27R will affect accounting for future acquisitions, loss of control and transactions with non-controlling interests. The revised standards may be applied early, but the Group has not yet decided whether to utilize this option.

CONT'D, NOTE 3

IAS 1 (Revised) – Presentation of Financial Statements

A revised version of IAS1, Presentation of Financial Statements, is effective January 1, 2009. Under the revised standard, changes in a company's equity resulting from transactions with owners must be presented separately from "non-owner" changes. The latter are presented on a line in the statement of changes in equity. The revised standard also provides the option of presenting items of income and expense and components of other comprehensive income either in a single "statement of comprehensive income" or in two separate statements. The Group has not yet evaluated whether one or two statements will be used.

IFRS annual improvements process

Aside from the above changes, the IASB has made a number of minor amendments to standards in order to eliminate inconsistencies between standards and clarify wordings. These minor amendments are not deemed to have any significant impact on the Group's application of accounting standards.

NOTE 4. SEGMENT-REPORTING

The principles for Orc Software's segment reporting are described in Note 1. Only that portion of cash and cash equivalents used in the operating activities of each segment has been allocated.

REVENUE AND OPERATING INCOME

SEK THOUSANDS	REVENUE		GROUP OPERATING INCOME		PARENT COMPANY REVENUE	
	2008	2007	2008	2007	2008	2007
Western Europe	261,178	260,067	165,542	154,094	252,169	220,908
Benelux, Central and Eastern Europe	71,802	55,711	32,136	30,039	70,449	52,567
North America	121,761	103,297	50,237	47,557	104,538	71,795
Asia and Australia	109,449	89,620	62,044	47,294	104,384	74,597
Joint Group	-	-	-216,699	-153,382	17,375	16,896
Total	564,190	508,695	93,260	125,602	548,915	436,763

ASSETS AND LIABILITIES

GROUP SEK THOUSANDS	ASSETS		LIABILITIES		INVESTMENTS		DEPRECIATION, AMORTIZATION AND IMPAIRMENT	
	2008	2007	2008	2007	2008	2007	2008	2007
Western Europe	20,634	37,330	27,344	48,615	1,525	1,938	-1,950	-1,966
Benelux, Central and Eastern Europe	9,415	7,724	5,148	2,538	1,700	1,148	-1,375	-505
North America	21,446	39,628	7,076	35,210	5,424	2,668	-1,219	-800
Asia and Australia	28,466	22,215	20,804	14,208	1,206	842	-1,083	-1,092
Joint Group	539,289	495,956	179,998	118,120	22,494	30,571	-19,706	-16,202
Total	619,250	602,853	240,370	218,691	32,349	37,167	-25,333	-20,565

NOTE 5. DEVELOPMENT COSTS

SEK THOUSANDS	GROUP	
	2008	2007
Development work	96,348	76,599
Amortization of development work	93	344
Impairment losses on development	4,000	-
Total development costs	100,441	76,943

NOTE 6. RELATED PARTY TRANSACTIONS

Information about remuneration to the Chairman of the Board, the other Board members and the Executive Management is provided in Note 7.

All transactions with related parties are carried out according to market-based principles.

Purchases and sales between the Parent Company and other group companies

Of the Parent Company Orc Software AB's purchases for the year, SEK 273,626 thousand (188,135) refers to purchases from other group companies. Of the Parent Company's sales for the year, SEK 104 thousand (136) refers to sales to other group companies.

Agreements

In 2008 Orc Software AB acquired the IP rights to the Cameron technology from the wholly owned subsidiary Cameron Systems (Vic) Ltd for a price of SEK 31,853 thousand. These rights were then transferred to the wholly owned subsidiary Dancharia Research & Trade East AB in the form of a conditional stockholder contribution. Agreements have been entered into between the Parent Company and Dancharia Research & Trade East AB under which the Parent Company may utilize the rights to the Cameron technology in exchange for royalties.

NOTE 7. EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	2008		2007	
	TOTAL	OF WHOM, WOMEN	TOTAL	OF WHOM, WOMEN
Sweden	85	20	81	18
Of which, Parent Company	85	20	79	17
Australia	18	4	17	4
Hong Kong	20	5	18	4
India	-	-	23	6
Italy	15	2	12	1
Canada	13	2	10	1
Russia	39	7	40	6
UK	29	9	22	6
Germany	9	1	7	2
USA	38	6	27	4
Other countries	9	1	6	1
Total average number of employees	275	57	263	53

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Board and Executive Management	27,580*	31,738*	10,701	11,272
Other employees	185,628	142,187	54,134	43,961
Total salaries and other remuneration	213,208	173,925	64,835	55,233
Social security contributions	35,561	37,318	23,212	20,819
Pension costs	12,428**	10,743**	8,046	7,036
Total social security contributions	47,989	48,061	31,258	27,855
Total salaries, other remuneration and social security contributions	261,197	221,986	96,093	83,088

* Of which, variable salaries and sales commissions of SEK 3,001 thousand (9,856).

** Of which, Executive Management SEK 2,341 thousand (2,644).

Decision-making and preparatory process

The Board has a Remuneration Committee made up of representatives from the Board and a reporting representative from the company. The Remuneration Committee prepares and discusses proposals regarding incentive schemes, benefits and salaries, including sales commissions and variable salaries for the company's CEO, other members of Executive Management and other employees in general. Decisions are made by the Board. Proposals regarding remuneration to the Board are put forward by the Nominating Committee and resolved on by the Annual General Meeting.

CONT'D, NOTE 7

Sales commissions, variable salary and bonuses

The members of Orc's Executive Management that have sales responsibility, as well as other employees in the sales and service organization, receive compensation in the form of sales commissions based on the attainment of predetermined individual sales targets. (See also under heading "Sales commissions" in Note 1).

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

Other employees are covered by a program for payment of bonuses on a discretionary basis. Bonuses are payable on the Group's attainment of predetermined financial targets. For 2008, a total of SEK 35,591 thousand (41,525) was expensed for sales commissions, variable salaries and bonuses.

Defined contribution pension plans

The Group has only pension plans of the defined contribution type. Orc's employees in Sweden over the age of 27 years, aside from the CEO Thomas Bill, are covered by a traditional pension plan. The pension plan has been introduced in stages and was fully implemented as of January 1, 2007. The pension cost refers to the cost that has affected income for the year.

Specification of Board fees

The 2008 AGM decided that fees for the period until the 2009 AGM would be paid in an amount of SEK 350 thousand (300) to the Chairman of the Board and SEK 175 thousand (150) to each of the other Board members. Board fees including social security contributions for 2008 were expensed in an amount of SEK 1,882 thousand (1,451), of which SEK 438 thousand (359) refers to the Chairman of the Board and SEK 241 thousand (180) to each of the other Board members. At December 31, 2008, Orc's Board of Directors consisted of 5 men (5) and 2 women (2).

Specification of salary and other remuneration to Executive Management

At December 31, 2008, Orc Software's Executive Management consisted of the CEO and 11 (11) other members.

2008

SEK THOUSANDS	SALARY	VARIABLE SALARY AND SALES COMMISSIONS**	PENSION*
CEO Thomas Bill	4,078	250	554
Other members	20,501	2,751	1,787
Total	24,579	3,001	2,341

* Of which, SEK 511 thousand refers to gross salary deductions for other members of Group Management.

** Of which, SEK 0 thousand refers to a reserved amount.

At December 31, 2008, Orc Software's Executive Management consisted of 92% men (92) and 8% women (8).

2007

SEK THOUSANDS	SALARY	VARIABLE SALARY AND SALES COMMISSIONS**	PENSION*
CEO Thomas Bill	3,585	2,058	529
Other members	17,313	7,798	2,115
Total	20,898	9,856	2,644

* Of which, SEK 571 thousand refers to gross salary deductions for other members of the Executive Management.

** Of which, SEK 5,255 thousand refers to a reserved amount.

HEALTH INSURANCE All members of Executive Management who are employed in Sweden* receive health insurance as a supplement to public health care. This insurance provides Executive Management with access to health care services and specialists as needed. Executive Management members Annie Walsh, Martin Koopman**, Marty Leamy***, Matteo Carcano, Joacim Wiklander and Hugh Stables receive insurance that provides compensation for specific types of care.

* Thomas Bill, Anders Berg, Fredrik Skogby, Jan Hallenius (until September 18, 2008) Joakim Dahlstedt (as of December 1, 2008) and Peter Bergson

** Martin Koopman (until May 6, 2008)

*** Marty Leamy (as of October 27, 2008)

CONT'D, NOTE 7

OPTION HOLDINGS A stock option program for employees of Orc Software was launched in 2006. Under this program, Thomas Bill and Fredrik Skogby acquired options at market value in 2006. In 2007, Anders Berg and Peter Bergson also acquired options at market value under this program.

The members of Executive Management who are employed outside Sweden, namely John Cameron, Matteo Carcano, Greg Chambers, Anders Henriksson, Martin Koopman, Hugh Stables, Annie Walsh and Joacim Wiklander, were granted consideration-free options. In 2008 Orc launched an additional stock option program. Thomas Bill, Fredrik Skogby, Anders Berg, Peter Bergson and Joakim Dahlstedt acquired options at market value in 2008. See Note 24 and Executive Management section on pages 38–39.

TERMINATION BENEFITS Of the other members of the Executive Management, only Anders Berg, Fredrik Skogby and Peter Bergson are entitled to termination benefits. In the event of termination by the company, these individuals have the right to receive deductible termination benefits equal to six monthly fixed salaries.

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

Fixed monthly salary

The CEO receives salary in an amount of SEK 302 thousand per month.

Pension

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

Variable salary (CEO)

The CEO has the possibility of receiving a variable salary on the same terms as the members of the Executive Management that are not covered by sales commissions. The amount payable is based on the attainment of predetermined financial targets for the Group. Total variable salary for 2008 may not exceed 56% of fixed annual salary.

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

NOTICE PERIOD, SEVERANCE ARRANGEMENTS AND TERMINATION BENEFITS In the event of termination by the company, the CEO has a notice period of 12 months. In the event of termination by the CEO, a notice period of 6 months applies. During the notice period, the CEO receives an amount of compensation corresponding to fixed salary and other benefits. If termination has been initiated by the company, the CEO receives termination benefits equal to six monthly fixed salaries.

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

Sick leave in the Parent Company

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

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

	2008	2007
Men	1.1	0.8
Women	8.8	11.5
Employees –29 years of age	1.3	1.4
Employees 30–49 years of age	3.8	4.0
Employees 50 years of age and older*	–	–
Total sick leave	3.2	3.4

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

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

Sick leave for more than 60 days as a percentage of total sick leave: 67.8% (75.9%).

NOTE 8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Amortization of other intangible assets	–8,103	–8,427	–	–
Depreciation of tangible assets	–11,124	–9,071	–6,122	–4,506
Amortization of capitalized development costs	–92	–344	–92	–344
Impairment losses	–6,014	–2,723	–4,000	–2,723
Total depreciation, amortization and impairment losses	–25,333	–20,565	–10,214	–7,573

NOTE 9. OTHER EXTERNAL EXPENSES

Other external expenses mainly consist of travel, marketing, legal and consulting expenses. Other external expenses also include an income effect related to derivative assets and liabilities, see Note 10, and auditing fees.

Auditing fees

The following compensation has been paid to auditors and auditing firms for auditing and other statutory reviews as well as for advice and other assistance based on observations in the reviews (Auditing services). Compensation has also been paid for other independent advice (Non-auditing services), consisting mainly of ongoing tax consulting.

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Ernst & Young				
Auditing services	584	671	531	618
Non-auditing services	168	216	168	216
KPMG				
Auditing services	–	294	–	–
Non-auditing services	264	60	264	60
Harmer Slater				
Auditing services	168	297	–	–
Non-auditing services	161	126	–	–
Graeme Green				
Auditing services	51	50	–	–
RSM Nelson Wheeler				
Auditing services	32	22	–	–

NOTE 10. DERIVATIVE ASSETS AND LIABILITIES

With effect from January 1, 2008, value changes attributable to forward exchange contracts are recognized net in "Foreign exchange differences". The net income effect for the period January–December 2008 was SEK –0.2m (–0.3). The comparative prior year information has been restated accordingly.

As of January 1, 2008, value changes attributable to embedded derivatives regarding customer and supplier contracts entered into in a third-party currency are recognized net in "Foreign exchange differences". The net income effect for the period January–December 2008 amounted to SEK –m (0.7). The Group has not had any embedded derivatives during 2008.

NOTE 11. EXCHANGE DIFFERENCES

EXCHANGE RATES (AGAINST SEK)

	AVERAGE RATE JANUARY–DECEMBER		CLOSING DAY RATE DECEMBER 31	
	2008	2007	2008	2007
	USD	6.58	6.76	7.75
EUR	9.61	9.25	10.94	9.47
GBP	12.09	13.53	11.25	12.91
DKK	1.29	1.24	1.47	1.27
AUD	5.54	5.66	5.36	5.66
CHF	6.06	5.63	7.35	5.70
CAD	6.17	6.31	6.30	6.59
HKD	0.85	0.87	1.00	0.83
JPY	0.064	0.0574	0.086	0.0572

EXCHANGE DIFFERENCES IN OPERATING INCOME

SEK THOUSANDS	GROUP	
	2008	2007
Attributable to operating activities	21,500	824
Total exchange differences in operating income	21,500	824
Exchange differences in net financial items	0	-3,493
Total exchange differences affecting income after financial items	21,500	-2,669

EXCHANGE DIFFERENCES IN EQUITY

	GROUP	
	2008	2007
Change related to translation differences in foreign subsidiaries	1,256	668
Change related to translation differences in intangible assets	-9,992	7,463
Translation differences in minority interests	-	-118
Total change in exchange differences in equity	-8,736	8,013

NOTE 12. FINANCIAL INCOME

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Dividends*	-	480	-	2,973
Gains on sale of available-for-sale financial assets	-	15,471	-	15,471
Gains on divestment of subsidiaries	-	-	-	4,561
Interest income	3,134	2,816	1,726	1,770
Total financial income	3,134	18,767	1,726	24,775

* SEK 480 thousand in the Group and in the Parent Company refers to dividends from Infront. Aside from this dividend, the Parent Company received dividends from Orc ExNet amounting to SEK 2,493 thousand in 2007.

NOTE 13. APPROPRIATIONS

SEK THOUSANDS	PARENT COMPANY	
	2008	2007
Provision to tax allocation reserve	-21,733	-18,511
Reversal of tax allocation reserve	29,042	21,257
Excess depreciation	638	-638
Total appropriations	7,947	2,108

NOTE 14. INCOME TAX EXPENSE

REPORTED TAX EXPENSE

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Current tax	-47,382	-35,155	-18,275	-21,501
Paid foreign taxes	-367	-390	-367	-367
Adjustment of tax attributable to prior years	1,415	-4,342	3,395	-1,054
Deferred tax expense				
- attributable to intangible assets	-1,747	624	-2,040	624
- attributable to tangible assets	9,149	2,360	-	-
- attributable to financial instruments	-445	-266	-445	-266
- other*	1,506	-55	-	-2,743
Deferred tax income				
- attributable to loss carryforwards in subsidiaries	911	18	-	-
- temporary differences	4,240	-1,139	-	-
- attributable to changed tax rates	1,777	-	-	-
Reported tax expense	-30,943	-38,345	-17,732	-25,307

* In the Group, this refers entirely to deferred tax on tax allocation reserves. In the Parent Company, this refers entirely to deferred tax on Group contributions.

RECONCILIATION OF CURRENT TAX

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Reported income before tax	95,619	139,641	62,288	106,952
Tax according to weighted average tax rate	-30,240	-39,450	-17,441	-29,947
Tax effect of:				
Non-deductible expenses	-2,927	-1,806	-702	-1,796
Non-taxable income	185	7,766	27	7,407
Paid foreign taxes	-367	-16	-367	-
Tax attributable to prior years	1,518	-4,342	3,395	-1,054
Tangible assets	-1,711	624	-1,826	1,058
Financial instruments	-10	-266	-10	-266
Standard revenue on tax allocation reserves	-853	-873	-808	-709
Loss carryforwards	1,685	18	-	-
Effect of changed future tax rate in Sweden	1,777	-	-	-
Reported tax expense	-30,943	-38,345	-17,732	-25,307

The weighted average tax rate, based on the tax rates in each respective country is 31.6% (28.3) in the Group.

DEFERRED TAX ASSETS

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Deferred tax attributable to excess depreciation	114	624	-	624
Deferred tax attributable to accrued expenses and prepaid income	13,935	6,165	-	-
Deferred tax assets attributable to loss carryforwards	1,061	562	-	-
Deferred tax attributable to financial instruments	407	597	407	161
Deferred tax assets	15,517	7,948	407	785

PREPAID TAX

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Deduction for paid tax	10,210	5,980	11,512	3,174
Prepaid tax	10,210	5,980	11,512	3,174

CONT'D, NOTE 14

DEFERRED TAX LIABILITIES

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Deferred tax liabilities on untaxed reserves in Swedish companies	27,487	28,869	-	-
Deferred tax attributable to excess depreciation	1,849	-	1,849	-
Deferred tax attributable to intangible assets	17,258	20,564	-	-
Deferred tax attributable to financial instruments	257	2	257	-
Deferred tax attributable to accrued income	200	-	-	-
Deferred tax liabilities	47,051	49,435	2,106	-

TAX LIABILITIES

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Tax liabilities attributable to income for the year	10,276	23,495	-	11,223
Tax liabilities	10,276	23,495	-	11,223

NOTE 15. LEASES

Operating leases in force are summarized as follows:

PREMISES AND RELATED EQUIPMENT

SEK THOUSANDS	GROUP	PARENT COMPANY
Future annual payment obligations:		
2009	20,660	10,071
2010-2013	42,109	27,572
2014 or later	4,284	-
Total	67,053	37,643

The difference between total future lease payments on the balance sheet date and the present value of these amounts to SEK 2.8m [6.2], discounted by a five-year risk-free interest rate in SEK.

The lease contracts for offices include customary indexation clauses.

Lease payments in 2008 amounted to SEK 25,502 thousand [21,112] in the Group and SEK 6,794 thousand [5,691] in the Parent Company.

Leased property, plant and equipment

At December 31, 2008, hardware with a total historical cost of SEK 0.3m [2.2] was on lease to customers under contracts with a term of one or two years and an option for renewal. The carrying amount on the same date was SEK 0.1m [1.0]. Contractual future lease revenue amounted to SEK 0.3m [0.7].

Orc has no finance lease commitments.

NOTE 16. INTANGIBLE ASSETS

CAPITALIZED DEVELOPMENT COSTS

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Opening cost	51,368	34,379	51,368	34,379
Additions	15,492	16,989	15,492	16,989
Disposals	-	-	-	-
Closing accumulated cost	66,860	51,368	66,860	51,368
Opening amortization	-27,892	-27,548	-27,892	-27,548
Amortization for the year	-92	-344	-92	-344
Closing accumulated amortization	-27,984	-27,892	-27,984	-27,892

CONT'D, NOTE 16

Opening impairment losses	-2,103	-2,103	-2,103	-2,103
Impairment losses for the year	-4,000	-	-4,000	-
Closing accumulated impairment losses	-6,103	-2,103	-6,103	-2,103
Closing carrying amount	32,773	21,373	32,773	21,373

The Group's total development costs in 2008 amounted to SEK 96.3m [76.6], of which SEK 15.5m [17.0] was capitalized.

GOODWILL

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Opening cost	176,867	171,962	-	-
Change due to repayment	-2,002	-	-	-
Goodwill disposed of in connection with divestment	-	-249	-	-
Translation differences	-7,326	5,154	-	-
Closing carrying amount	167,539	176,867	-	-

OTHER INTANGIBLE ASSETS

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Opening cost	95,413	91,847	-	-
Translation differences	-4,731	3,566	-	-
Closing accumulated cost	90,682	95,413	-	-
Opening amortization	-19,585	-11,007	-	-
Translation differences	1,033	-151	-	-
Amortization for the year	-8,103	-8,427	-	-
Closing accumulated amortization	-26,655	-19,585	-	-
Closing carrying amount	64,027	75,828	-	-

Other intangible assets refer to technology (SEK 42,915 thousand), customer relationships (SEK 17,213 thousand) and brands (SEK 3,894 thousand) identified in connection with the acquisition of Cameron Systems. These assets are amortized on a straight-line basis over a period of 15, 10 or 5 years.

Impairment testing for cash generating units containing goodwill

Goodwill in Orc is attributable to the acquisition of shares in Cameron Systems, amounting to SEK 167.5m at December 31, 2008. In 2008 the rights to the Cameron technology were acquired by Orc Software AB and transferred to the wholly owned subsidiary Dancharia Research & Trade East AB in the form of a conditional capital contribution. In connection with this, the goodwill that arose on the original acquisition of Cameron Systems was transferred to Dancharia Research & Trade East AB. Impairment testing is based on cash flow forecasts with an explicit forecast period of 10 years. The impairment test carried out in 2008 was based on the budget for the respective unit for 2009 and on assumptions about growth and margin development in the market and for the respective unit for 2010 and onward. The assumed growth rate after the explicit forecast period is 1%. The present value of forecasted cash flows has been calculated with a discount rate of 14.7 before tax. No indication of impairment was found.

NOTE 17. TANGIBLE ASSETS

EQUIPMENT	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
SEK THOUSANDS				
Opening cost	78,935	64,788	53,033	43,353
Additions	17,433	20,178	7,002	11,130
Disposals	-7,220	-6,009	-5,510	-1,450
Translation differences	1,435	-22	-	-
Closing accumulated cost	90,583	78,935	54,525	53,033
Opening accumulated depreciation	-46,070	-41,118	-31,362	-30,106
Disposals	2,078	4,119	-	3,250
Depreciation for the year	-11,124	-9,071	-6,122	-4,506
Closing accumulated depreciation	-55,116	-46,070	-37,484	-31,362
Opening accumulated impairment losses	-2,723	-	-2,723	-
Disposals	2,723	-	2,723	-
Impairment losses for the year	-2,014	-2,723	-	-2,723
Closing accumulated impairment losses	-2,014	-2,723	-	-2,723
Closing carrying amount	33,453	30,142	17,041	18,948

In the Group there are tangible assets that have been written off but are still in use. These non-current assets have a opening cost of SEK 30.2m [28.4].

NOTE 18. FINANCIAL INSTRUMENTS

Classification

Financial assets and liabilities in the consolidated balance sheet are classified as follows:

SEK THOUSANDS	2008	2007
FINANCIAL ASSETS		
Loans and receivables	2,160	1,614
Financial assets	2,160	1,614
Financial assets at fair value through profit or loss	980	-
Derivative assets	980	-
Loans and receivables	171,290	138,915
Trade receivables	171,290	138,915
Loans and receivables	7,290	5,489
Other current assets*	7,290	5,489
Held-to-maturity investments	26,929	429
Short-term investments	26,929	429
Loans and receivables	76,859	125,504
Cash and cash equivalents	76,859	125,504
Total financial assets	285,508	271,951

* Other current assets in the consolidated balance sheet amounting to SEK 17,513 thousand (18,253) include non-financial instruments in a total amount of SEK 10,223 thousand (12,764).

CONT'D, NOTE 18

SEK THOUSANDS	2008	2007
FINANCIAL LIABILITIES		
Financial liabilities measured at amortized cost	16,643	14,936
Trade payables	16,643	14,936
Financial liabilities at fair value through profit or loss	-	575
Classified as held for trading	-	575
Derivative instruments	-	575
Financial liabilities measured at amortized cost	48,450	32,021
Other current liabilities	48,450	32,021

* Other current liabilities in the consolidated balance sheet amounting to SEK 213,451 thousand (179,685) include non-financial instruments in a total amount of SEK 165,001 thousand (147,664).

BY CATEGORY	2008	2007
Financial assets at fair value through profit or loss	980	-
Loans and receivables	257,599	271,522
Held-to-maturity investments	26,929	429
Total financial assets	285,508	271,951
Financial liabilities measured at amortized cost	65,092	46,957
Financial liabilities at fair value through profit or loss	-	575
Total financial liabilities	65,092	47,532

Fair value

The carrying amounts of financial instruments in Orc's balance sheet represent a good approximation of fair value, since these have short maturities. The exception to this rule is short-term investments that are classified as held-to-maturity investments and have an accrued interest effect, which are measured at amortized cost. At December 31, 2008, the fair value of short-term investments amounted to SEK 27,142 thousand, i.e. the fair value is SEK 213 thousand higher than the carrying amount.

NOTE 19. FINANCIAL ASSETS

SHARES IN GROUP COMPANIES

SEK THOUSANDS	PARENT COMPANY	
	2008	2007
Opening cost	267,907	273,866
Acquisitions	-	49
Capital contributions	32,092	-
Impairment losses on shares in subsidiaries	-	-4,496
Adjustment in purchase price for acquisition of Cameron Systems Pty Ltd	-2,002	-
Divestments	-	-1,512
Closing balance	297,997	267,907

AVAILABLE-FOR-SALE FINANCIAL ASSETS

SEK THOUSANDS	2008	GROUP	2007
Opening cost	-	3,082	
Divestments	-	-2,246	
Impairment losses	-	-836	
Closing accumulated cost	-	-	

OTHER FINANCIAL ASSETS

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Opening cost	1,614	2,338	12	3,478
Divestments	-	-	-	-2,246
Impairment losses	-	-	-	-836
Change in paid lease deposits	422	-658	-	-384
Translation differences	124	-66	-	-
Closing accumulated cost	2,160	1,614	12	12

NOTE 20. SHARES IN GROUP COMPANIES

COMPANY	IDENTITY NUMBER	DOMICILE	NO. OF SHARES	HOLDING, %	BOOK VALUE
Orc Software Pty Ltd	091 454 045	Sydney	20,000	100	106
Orc Software s.r.l.	130 89 980 158	Milan	9,500	95	85
Orc Software Ltd.	390 61 49	London	10,000	100	133
Orc Software GmbH	hrb 502 15	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.	52-231 99 50	Delaware	100,000	100	1,028
Orc Software HK Ltd	773 037	Hong Kong	9,900	99	12
Orc Software Inc.	116 044 97 74	Montréal	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	245,809
Orc ExNet Transaction Services AB	556613-3251	Stockholm	4,000	100	9,699
Orc Software Stockholm AB	556510-5367	Stockholm	1,190	100	1,269
Orc Education AB	556611-4087	Stockholm	1,000	100	105
Promyzer AB	556632-7580	Stockholm	114,800	100	1,950
Cameron Systems (Vic) Pty Ltd	097 437 968	Melbourne	5,203,925	100	36,400
Cameron Fix IP Pty Ltd	117 780 042	Victoria	100,001	100	577
Orc Software B.V.	146 56 39	Amsterdam	18,000	100	239
Total, SEK thousands					297,997

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

Orc Software had no associated companies at December 31, 2008.

NOTE 21. TRADE RECEIVABLES

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

The credit period for trade receivables is 30 days.

AGE ANALYSIS

SEK THOUSANDS	GROUP	
	2008	2007
Not yet due	77,315	37,530
1-30 days	62,800	70,900
31-180 days	28,353	19,859
>180 days	15,072	12,257
Total	183,540	140,546

CONCENTRATION OF CREDIT RISK - THE 10 LARGEST CLAIMS

	2008		2007	
	NO. OF CUSTOMERS	SHARE OF TOTAL TRADE RECEIVABLES AT DECEMBER 31	NO. OF CUSTOMERS	SHARE OF TOTAL TRADE RECEIVABLES AT DECEMBER 31
Exposure < SEK 2m	0	0	3	4%
Exposure SEK 2-4m	7	10%	4	8%
Exposure > SEK 4m	3	7%	3	10%
Total	10	17%	10	22%

Of total trade receivables at December 31, 2008, 48% were denominated in US dollars, 32% in euros and 12% in Swedish kronor.

CONT'D, NOTE 21

Credit risks

Orc Software's customers, which include investment banks, banks and brokerage firms, generally represent a capital-strong segment with a subsequent low risk for bad debt losses than companies in general. However, the uncertainty in the international financial markets and global economic recession that most analysts expect to continue throughout 2009 will lead to heightened credit risk. Efforts to collect trade receivables and shorten payment periods will therefore be even an even higher priority in year ahead. Orc Software works actively to inform its customers of the importance of paying on time, which, together with the fact that customers pay in advance on a quarterly or even longer basis, has resulted in that the Group's bad debt losses have been relatively minor at SEK 2.1m (0.5), equal to 0.4% (0.1) of operating revenue. In response to the rising uncertainty described above, Orc increased its provisions for doubtful debts during the year and these amounted to SEK 12.2m (1.6) at December 31, 2008.

PROVISIONS FOR DOUBTFUL DEBTS

SEK THOUSANDS	GROUP	
	2008	2007
Provisions at January 1	1,631	815
Provisions for doubtful debts	12,723	1,318
Confirmed losses	-2,104	-502
Provisions at December 31	12,250	1,631

NOTE 22. OTHER CURRENT ASSETS

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Accrued interest income	153	7	–	–
Other accrued income	3,102	2,105	3,102	2,079
Prepaid rents and insurance premiums	3,773	3,717	2,857	2,425
Other prepaid expenses	4,684	7,772	3,781	3,178
Other receivables	5,801	4,652	5,790	1,320
Total other current assets	17,513	18,253	15,530	9,002

NOTE 23. EQUITY

Treasury shares

At December 31, 2008, Orc had no treasury shares.

Equity in the Parent Company

SHARE CAPITAL The share capital amounts to SEK 1,520 thousand (1,520), which at December 31, 2008, corresponded to SEK 15,202 thousand (15,202) common shares with a quota value of 0.10 each.

CAPITAL RESERVES The capital reserves amount to SEK 37,437 thousand.

Equity in the Group

EARNINGS PER SHARE Basic earnings per share amounted to SEK 4.25 (6.58). Diluted earnings per share were SEK 4.25 (6.55). The average number of shares used to calculate diluted earnings per share is 15,233 (15,263). Orc Software has outstanding options that can increase the number of shares by a maximum of 4.6% (2.6).

Orc has no outstanding convertible loans.

PROPOSED DIVIDEND The Board of Directors has decided to propose that the AGM approve a dividend of SEK 4.00 per share (4.00) for 2008. This amounts to a total of SEK 60,809 thousand (60,809), which is equal to 94% (60) of income after tax.

NOTE 24. SHARE-BASED PAYMENT

The Extraordinary General Meeting on December 11, 2006, voted to implement a stock option 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 AGM on 24 April 2008 voted to implement an additional stock option program and a new issue of 300,000 options. Both stock option programs are divided into two subprograms – one for employees in Sweden and one for employees outside Sweden.

Employees in Sweden

Employees in Sweden have been invited to acquire stock options in Orc Software AB (publ). The options were acquired at fair value based on a market valuation performed on December 18, 2006, and June 11, 2008 by an independent valuation company. Under the first program, 93,700 options were acquired at a price of SEK 10.02 each. In 2007 an additional 20,000 options were acquired at a price of SEK 13.79 and SEK 20.34 each.

Under the second program, 55,900 options were acquired at a price of SEK 9.30 each. In 2008 an additional 46,100 options were acquired at a price of SEK 14.70 each, based on a market valuation at August 8, 2008. The options have a maturity of three years.

According to the first program, each option entitles the holder to subscribe for one share in Orc Software AB during the period from January 1 – December 31, 2009, at a subscription price of SEK 124 each. According to the second program, each option entitles the holder to subscribe for one share in Orc Software AB during the period from registration to December 31, 2010, at a subscription price of SEK 127.

CONT'D, NOTE 24

Employees outside Sweden

Consideration-free options have been granted to employees outside Sweden. The options are not transferable and are subject to continued employment at the end of the vesting period on December 31, 2008 and December 31, 2009, respectively. The options have a maturity of three years. Each option entitles the holder to subscribe for one share in Orc Software AB during the period from January 1 – December 31, 2009, at a subscription price of SEK 124. Each option awarded under the second program entitles the holder to subscribe for one share in Orc Software AB during the period from January 1 – December 31, 2010, at a subscription price of SEK 127.

The options granted to employees outside Sweden have resulted in a charge of SEK 1,767 thousand that is recognized in personnel costs.

NUMBER OF OPTIONS

	EMPLOYEES IN SWEDEN	EMPLOYEES OUTSIDE SWEDEN
Outstanding at beginning of period	113,700	196,550
Granted during the period	102,000	161,025
Forfeited during the period	–	–23,050
Exercised during the period	–	–
Matured during the period	–	–
Outstanding at end of period	215,700	334,525
Redeemable at end of period	–	–

The fair value of granted options on the valuation date of June 11, 2008, was SEK 1.5m. The corresponding fair value of the earlier program was SEK 2.2m.

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

VALUATION DATE	AUG 8, 2008	JUNE 11, 2008	DEC 18, 2006
Current share value, SEK	118	104.25	108.371
Subscription price, SEK	127	127	124
Maturity, years	2.4	2.56	3.04
Volatility, %	25	25	25
Risk-free interest rate, %	4.3	4.64	3.61
Present value of dividend per share, SEK	8.64	8.58	14.61
Maximum dilutive effect, %	0	0	2.63
Valuation model	Black & Scholes	Black & Scholes	Black & Scholes

The anticipated volatility is based on the share's historical volatility, which has amounted to 35–36% (33–34) and the implicit volatility of a previous call options program that was implemented by Hagströmer & Qviberg, which has been estimated at 15–21%. The valuation has also taken into account the relatively long remaining time to maturity for the Orc options and, according to established financial theory, the fact that volatility tends toward a lower normalized level in the long term. In light of the above, the assessment is that an expected future volatility of approximately 25% is reasonable.

NOTE 25. TRADE PAYABLES

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

NOTE 26. OTHER CURRENT LIABILITIES

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Advance invoicing	150,803	128,270	147,276	113,432
Accrued expenses, personnel-related taxes	25,340	31,835	8,475	8,107
Restructuring charges*	19,012	-	4,472	-
Other accrued expenses	10,079	9,716	5,865	7,160
Other current liabilities	8,217	9,864	2,322	2,811
Total other current liabilities	213,451	179,685	168,410	131,510

* Restructuring charges include personnel costs of SEK 10m, consulting fees of SEK 5m and costs for office closures of SEK 4m.

NOTE 27. BANK OVERDRAFT FACILITIES

Group

Granted overdraft facilities amount to SEK 40m (40).

Parent company

Granted overdraft facilities amount to SEK 40m (40).

NOTE 28. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Through its operations, the Group is exposed to risks in financial instruments such as cash and cash equivalents, short-term investments and forward exchange contracts. The Group also has other financial instruments such as trade receivables and payables that arise in the ordinary course of business. The main risks arising from these instruments are:

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

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

Interest-rate risk is the risk for variations in the value of a financial instrument due to changes in market interest rates. Interest-rate risk is described in Note 31.

Credit risk is the risk that a counterparty will be unable to fulfill its obligations in a financial instrument transaction, and thereby cause a loss to the other party. The Group's credit risk is described in Note 21, which also provides information about significant concentrations of risk.

Liquidity risk is the risk that Orc will have difficulty fulfilling obligations that are associated with financial liabilities. Orc's business model, with quarterly invoicing in advance, substantially minimizes this risk. Orc also has a bank overdraft facility of SEK 40m that can be used as needed.

Foreign exchange risks

CASH FLOW EXPOSURE Operating revenue and expenses are also affected by movements in foreign exchange rates. These movements have a direct effect on the income and expense item itself. Operating revenue consists of approximately 40% US dollars, 30% euros, 20% Swedish kronor and 10% other currencies. Operating expenses consist of approximately 15% US dollars, 15% euros, 40% Swedish kronor and 30% other currencies.

With the current relationship between revenue and expenses, this means that a change of 1% in the value of the Swedish krona against other currencies would have an effect of 1.8% on operating income.

CONT'D, NOTE 28

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

The Group's exposed net inflow in 2008 amounted to approximately SEK 147m (147), and can be broken down according to the table below.

INFLOWS IN SEK M	2008	2007
USD	135	128
EUR	85	82
DKK	6	4
AUD	6	1
Total	232	215

OUTFLOWS IN SEK M	2008	2007
GBP	-44	-42
HKD	-31	-20
CAD	-7	-3
CHF	-3	-3
Total	-85	-68

The effect of foreign exchange hedges on income at an operating level amounted to SEK 0.1m (-0.3) in 2008.

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

BALANCE SHEET EXPOSURE Assets and liabilities in foreign currency are revalued at each balance sheet date. Fair value changes arising from changes in the value of operating assets and liabilities and settlement of currency hedge contracts are reported net on a separate line in the income statement, and in 2008 led to a gain of SEK 21.5m (0.8).

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

Orc Software is exposed to changes in the AUD/SEK rate, since goodwill and other intangible fixed assets arising from the acquisition of Cameron Systems are stated in Australian dollars according to the applicable accounting standards. The resulting currency exposure is recognized in equity. In 2008 this had an effect of SEK -10.0m (7.6). The company has chosen not to hedge this exposure.

OBJECTIVES, POLICIES AND ROUTINES FOR CAPITAL MANAGEMENT Orc has substantial equity and no interest-bearing liabilities. Orc's objective is to maintain a sound equity and debt structure.

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

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

In 2008 the Board decided to invest a portion of the company's capital in treasury bills. At December 31, 2008, a sum of SEK 15m was invested in Swedish treasury bills and AUD 2m in Australian treasury bills.

NOTE 29. FINANCIAL ITEMS IN THE CASH FLOW STATEMENT

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Interest income	3,134	1,406	1,726	1,717
Interest expense	-775	-4,728	-838	-719
Dividends	-	480	-	2,973
Total financial items in the cash flow statement	2,359	-2,842	888	3,971

NOTE 30. ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

Divestment of E2E infotech Limited in 2007

The divestment was carried out on October 1, 2007, for a cash price of GBP 450 thousand. The sale of E2E infotech Limited affected Orc Software's revenue in an amount of SEK 14,974 thousand and income for the year in an amount of SEK 2,634 thousand, in addition to a capital gain of SEK 1,800 thousand.

DIVESTED ASSETS AND LIABILITIES

SEK THOUSANDS	FAIR VALUE	DIVESTED BOOK VALUE
Intangible assets	-182	-182
Tangible assets	-807	-807
Financial assets	-311	-311
Trade receivables	-1,714	-1,714
Other receivables	-3,889	-3,889
Prepaid expenses and accrued income	-367	-367
Cash and cash equivalents	-5,416	-5,416
Total assets	-12,686	-12,686
Minority interests	4,067	4,067
Trade payables	266	266
Tax liabilities	137	137
Other liabilities	641	641
Accrued expenses and deferred income	3,303	3,303
Total liabilities	4,347	4,347
Total divested net assets	-4,272	-4,272

NOTE 31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank (or equivalent institutions) and other highly liquid short-term investments with original maturities of less than three months which are exposed to insignificant risk for value fluctuations. In certain cases Orc has short-term investments that have maturities of more than three months but are regarded as short-term because they can be redeemed prematurely.

SEK THOUSANDS	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Short-term investments	26,929	429	14,750	-
Cash and bank balances	76,859	125,504	48,553	78,194
Total cash and cash equivalents	103,788	125,933	63,303	78,194

The Group's short-term investments consist of Swedish treasury bills and time deposits in banks. These investments have high creditworthiness and liquidity and can be easily converted into cash. Short-term investments are measured at cost and interest is accrued over the term of the investment.

CONT'D, NOTE 31

The company earns customary interest on bank balances according to a variable interest rate. A change in the interest rate by one percentage point would increase or decrease, respectively, the Group's net interest income by SEK 755 thousand (986).

At December 31, 2008, accrued interest amounted to SEK - thousand (-).

Early redemption

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

SPECIFICATION OF THE GROUP'S SHORT-TERM INVESTMENTS IN 2008

SEK THOUSANDS	HISTORICAL COST	NOMINAL VALUE	FAIR VALUE AT DEC 31	MATURITY DATE	INTEREST-RATE, %
Bank time deposits, AUD	453	453	461	09-03-29	7.51
AUD	11,726	11,256	11,726	09-09-15	3.65
Swedish treasury bills, SEK	14,750	15,000	14,955	09-03-18	3.77
Total	26,929	26,709	27,142		

SPECIFICATION OF THE GROUP'S SHORT-TERM INVESTMENTS IN 2007

SEK THOUSANDS	HISTORICAL COST	NOMINAL VALUE	FAIR VALUE AT DEC 31	MATURITY DATE	INTEREST-RATE, %
Bank time deposits, AUD	429	429	455	08-01-03	6.35
Total	429	429	455		

NOTE 32. EVENTS AFTER THE BALANCE SHEET DATE

The balance sheet and income statement will be adopted at the Annual General Meeting to be held on April 29, 2009. In connection with this, Orc will issue a press release about the resolutions passed by the Annual General Meeting. No significant events have taken place after the balance sheet date that have affected the Group's financial results or position.

AUDIT REPORT

To the Annual General Meeting 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 CEO of Orc Software AB for the financial year 2008. The company's annual report is included in the printed version of this document on pages 6-33. The Board of Directors and the CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

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

Stockholm, March 23, 2009

Ernst & Young AB



OLA WAHLQVIST
Authorized Public Accountant

GLOSSARY

API – (Application Programming Interface)

A source code interface that steers communication between different software applications. Facilitates interoperability between IT systems and software from different vendors.

Automated trading (algorithmic trading)

Electronic trading that is executed automatically based on a strategy programmed in a computer algorithm, with investment decisions steered by timing, price or other factors based on information that is received electronically without human involvement. Automated trading can be used in different types of trading strategies, among other things for arbitrage trading or to reduce price impact on the market resulting from large trades.

Brokers

Brokers trade on behalf of their customers, which are institutional and private investors.

Co-location (proximity hosting)

A type of service where market participants are offered the chance to physically place their trading systems closer to the marketplace in order to reduce latency in data transfer between the trading system and the exchange.

Connectivity

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

DMA – Direct Market Access

Service in which a broker offers its customers electronic access to trading venues where the broker is a member.

FAST (FIX Adapted for STreaming)

FAST has been developed by the organization behind the FIX protocol to meet the need for a fast and standardized solution for the exchange of market data. Through the use of data compression, FAST results in significantly lower bandwidth utilization and lower latency between sender and receiver. For more information visit: www.fixprotocol.org/fast.

FIX (Financial Information eXchange Protocol)

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

Latency

A performance metric for electronic trading. Latency is measured as the time it takes to execute a certain operation in a trading system or the time it takes for a message to travel from one system to another. In fully automated trading, the amount of latency incurred during transmission between the trading venue and the market participant's system can be critical for the participant's competitiveness.

Liquidity

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

Market maker

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

Proprietary trading

Financial trading conducted on a firm's own account using its own capital.

Structured products

Financial products made up of different financial instruments that are packaged and traded as a single unit. One such example is a share index bond, consisting of a bond and a stock option, which together provide a specific risk exposure.

Volatility

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

DEFINITIONS

Capital structure

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

Capital turnover ratio Revenue divided by average capital employed.

Equity Equity at year-end excluding minority interest up to and including 2003. From 2004 and onwards, minority interests are included in equity in accordance with IFRS. Average equity has been calculated as opening plus closing equity divided by two, excluding new share issues.

Equity/assets ratio Equity including minority interests as a percentage of total assets.

Interest-bearing net debt Interest-bearing debt less cash and cash equivalents.

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

Operating capital Total assets less non-interest-bearing liabilities, including deferred tax, cash and bank balances, short-term investments and other interest-bearing receivables.

Working capital Non-interest-bearing operating assets excluding accrued interest income and tax receivables, less non-interest-bearing operating liabilities, excluding tax liabilities.

Cash flow and liquidity

Cash and cash equivalents Cash and bank balances and short-term investments.

Cash flow after investments Cash flow from operating activities less investments in property plant and equipment.

Cash flow before investments Cash flow from operating activities.

Self-financing ratio Cash flow before investments divided by investments.

Employees

Average number of employees Average number of full-time employees based on measurements at the beginning of the year and at the end of each quarter.

Value added per employee Operating income plus personnel costs divided by the average number of employees.

Investments

Investments in property plant and equipment Investments in property, plant and equipment, after divestments if applicable.

Margins

Operating margin Operating income as a percentage of revenue.

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

Return

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

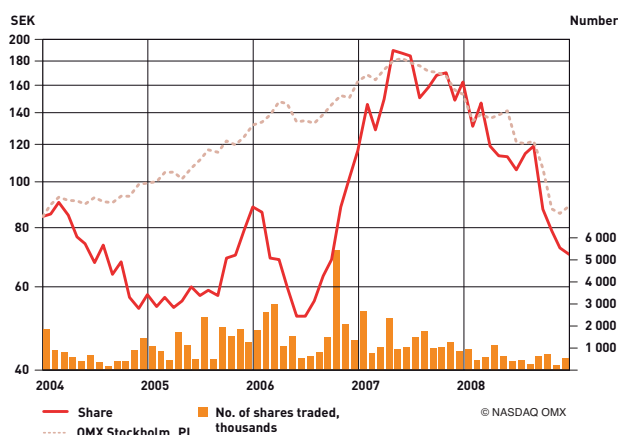
Return on equity Income for the year excluding minority share in income for the year as a percentage of average equity.

THE SHARE

The Orc Software share is quoted on the NASDAQ OMX Nordic Exchange Stockholm under the ticker symbol ORC. The Orc share was listed on the NASDAQ OMX Nordic Exchange Stockholm on October 19, 2000, at an introductory price of SEK 120 per share. In 2008, Orc Software's market capitalization decreased by 57% to SEK 1,068 m.

Price trend and turnover

Orc's share price fell by 57% in 2008, from SEK 162.5 to SEK 70.25. The OMX Stockholm_PI all-share index fell by 42% over the same period. The highest price paid for the Orc share during 2008 was SEK 164.00 on January 2, and the lowest was SEK 60.75 on October 24. At year-end 2008 Orc had a market capitalization of SEK 1,068m (2,470), based on the last price paid. The number of Orc Software shares traded in 2008 was 11.1 million (16.6).



Ownership structure

The number of stockholders in Orc Software at December 31, 2008, was 2,237 (2,494). The ten largest stockholders accounted for 76% (63) of the votes and capital at year-end 2008. The number of institutional investors was 349 (415) with a holding of 96% (95). The number of foreign stockholders was 136 (177), which accounted for 6% (23) of the votes and capital.

OWNERSHIP STRUCTURE BY NUMBER OF SHARES

HOLDING	NO. OF STOCKHOLDERS	NO. OF SHARES	% OF VOTES AND CAPITAL
1-500	1,660	219,060	1.44
501-1 000	216	180,589	1.19
1 001-10 000	195	704,973	4.64
10 001-50 000	43	959,745	6.31
50 001-100 000	15	1,032,296	6.79
100 001-	24	12,105,619	79.63
Total	2,237	15,202,282	100.0

Source: Euroclear Sweden AB (formerly VPC AB), direct and nominee-registered shares at December 30, 2008.

ORC SOFTWARE'S TEN LARGEST STOCKHOLDERS

	NO. OF SHARES	HOLDING, %
OM Technology AB	3,838,075	25.25
Catella fondförvaltning	2,378,756	15.65
Swedbank Robur fonder	1,755,703	11.55
SEB Asset Management SA	787,839	5.18
Danske Bank International S.A	600,000	3.95
AMF Pensionsförsäkring AB	565,000	3.72
SEB Investment Management	474,320	3.12
Banco fonder	427,300	2.81
Handelsbanken funds inkl XACT	420,136	2.76
F+C Investment Trust Directed, Lend Account	376,200	2.47
Other stockholders	3,578,953	23.54
Other stockholders	15,202,282	100.0

Source: Euroclear Sweden AB (formerly VPC AB), direct and nominee-registered shares at December 30, 2008.

Transfer of treasury shares

At year-end 2008, Orc held no treasury shares.

Share structure

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

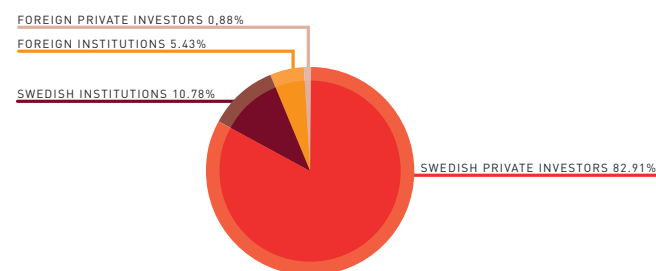
Orc Software's share capital at year-end 2008 amounted to SEK 1,520,228, divided between 15,202,282 shares.

At December 31, 2008, Orc had 700,000 outstanding options registered to employees. The options have a maximum potential dilutive effect of 4.6% on the shares and voting rights in the company. The new share issue in connection with the 2006/2009 stock option program could lead to an increase in the share capital by a maximum of SEK 40,000 and 400,000 shares in 2009. The new share issue in connection with the 2007/2010 stock option program could lead to an increase in the share capital by a maximum of SEK 30,000 and 300,000 shares in 2010.

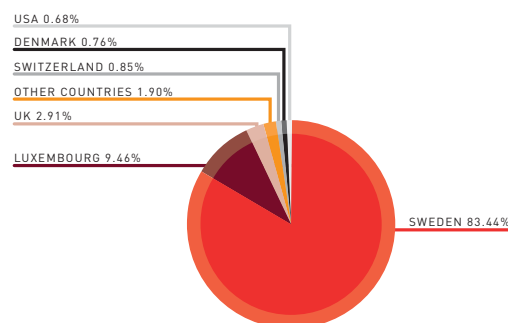
At December 31, 2008, the options had no dilutive effect on earnings per share since the average price of the share during the period was lower than the exercise price of the options or warrants, for which reason these had no real value.

At December 31, 2008, Orc Software had no outstanding convertible loans.

OWNERSHIP STRUCTURE BY CATEGORY



OWNERSHIP STRUCTURE BY COUNTRY



Dividend policy

The Board of Directors' objective is to pay the stockholders a dividend equal to approximately 50% of income after tax, provided that a sound capital structure is maintained. For 2008 the Board of Directors proposes a dividend of SEK 4.00 per share (4.00), amounting to a total of SEK 61m (61). This is equivalent to 94% (60) of income after tax.

Analysts that monitor Orc Software

Analysts that monitored the Orc share at year-end 2008/2009: ABG Sundal Collier, D. Carnegie, Danske Equities, Nordea Markets, Redeye, SEB Enskilda Securities and Swedbank.

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	1,000-for-1 share split	-	11,988,000	1,200,000	12,000,000	0.10
1999	Directed share issue*	225,000	2,250,000	1,425,000	14,250,000	0.10
2000	New share issue	60,000	600,000	1,485,000	14,850,000	0.10
2006	Directed share issue**	35,228	352,282	1,520,228	15,202,282	0.10

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

** New share issue on February 1, 2006, directed to Cameron Systems.

Data per share

	2008	2007
Basic earnings per share, SEK	4.25	6.58
Diluted earnings per share, SEK	4.25	6.55
Dividend per share, SEK	4.00 *	4.00
Equity per share, SEK	21.83	22.02
Share price at the end of the year, SEK	70.25	162.50
Cash flow per share, SEK	-1.96	3.37
P/E ratio, multiple	17	25
Dividend yield, %	5.7	2.5
Dividend payout ratio, %	94	60
Share price/equity, %	322	738
Average number of shares	15,202,282	15,202,282
Number of shares at year-end	15,202,282	15,202,282

* Proposed dividend.

Definitions for data per share

Earnings per share	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	Equity attributable to equity holders of the Parent Company at year-end divided by the number of shares at year-end.
Cash flow per share	Cash flow for the year divided by the 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 income after tax.
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.

BOARD OF DIRECTORS

MARKUS GERDIEN Chairman of the Board

Lidingö. Born in 1960. Studies in Computer Science. Chairman of the Board of Orc Software AB since 2007. Member of the Board since 2006. Active in Common Agenda Venture Management AB. Other board assignments: Chairman of Common Agenda Venture Management AB and board member of Financial Systems FS AB. Shares held in Orc Software AB: 0. Options held in Orc Software AB: 0.

LARS BERTMAR

London. Born in 1945. Associate Professor of Economics. Member of the Board of Orc Software AB since 2007. Other board assignments: Chairman of Catella AB and Kultur och Näringsliv, board member of SIFR. Shares held in Orc Software AB: 2,000. Options held in Orc Software AB: 0.

KATARINA BONDE

Danderyd and Seattle. Born in 1958. MSc in Physics and Mathematics. Member of the Board of Orc Software AB since 2006. Managing Director of Kubi LLC, USA. Other board assignments: Chairman of Aptilo Networks and Propellerhead Software AB, board member of LBi International AB, the Sixth National Pension Fund (AP6), eBuilder AB and the Royal Swedish Opera. Shares held in Orc Software AB: 0. Options held in Orc Software AB: 0.

PATRIKENBLAD

Stockholm. Born in 1966. Business studies. Member of the Board of Orc Software AB since 2005. Active in Böös & Enblad AB. Other board assignments: Board member of ÅF, Ångpanneföreningen AB. Shares held in Orc Software AB: 10,000. Options held in Orc Software AB: 0.

LARS GRANLÖF

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

EVA REDHE RIDDERSTAD

Stockholm. Born in 1962. MSc in Economics and Business Administration. Member of the Board of Orc Software AB since 2008. Senior Advisor Yggdrasil AB. Other board assignments: Chairman of the Foundation for the Culture of the Future, board member of Axel Christiernsson International AB, Milagro Business Partner AB, Redhe Financial Communications AB and member of Advisory Council Hand in Hand. Shares held in Orc Software AB: 4,000 (through SEB Trygg Life). Options held in Orc Software AB: 0.

CARL ROSVALL

Stockholm. Born in 1956. MSc in Economics and Business Administration. Member of the Board of Orc Software AB since 2007. Other board assignments: Board member of Itello AB and Pyninvest AB. Shares held in Orc Software AB: 600,000 indirectly through part ownership in another company. Options held in Orc Software AB: 0.

EXECUTIVE MANAGEMENT

THOMAS BILL Chief Executive Officer

Born in 1965. MSc in Computer Science. Employed by Orc Software AB since 2006. Shares held in Orc Software AB: 600,000 indirectly through part ownership in another company. Options held in Orc Software AB: 60,000 indirectly through part ownership in another company.

ANDERS BERG Chief Financial Officer

Born in 1962. Business studies. Employed by Orc Software AB since 2007. Shares held in Orc Software AB: 5,000. Options held in Orc Software AB: 17,000.

PETER BERGSON Legal Counsel and Secretary

Born in 1965. Master of Laws. Employed by Orc Software AB since 2007. Shares held in Orc Software AB: 100.
Options held in Orc Software AB: 17,000.

MATTEO CARCANO President EMEA

Born in 1960. Graduate in Physics. Employed by Orc Software AB since 2004. Shares held in Orc Software AB: 0.
Options held in Orc Software AB: 17,000.

GREG CHAMBERS President Asia Pacific

Born in 1977. BSc in Business Management. Employed by Orc Software AB since 2000. Shares held in Orc Software AB: 0.
Options held in Orc Software AB: 14,000.

JOAKIM DAHLSTEDT Chief Technology Officer

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

ANDERS HENRIKSSON VP Business Development

Born in 1972. MBA (hons.), 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: 17,000.

MARTIN J. LEAMY President Americas

Born in 1957. BSc in Computer Science. Employed by Orc Software AB since 2008. Shares held in Orc Software AB: 0.
Options held in Orc Software AB: 7,000.

FREDRIK SKOGBY VP Corporate Development

Born in 1961. Major in Electrical Engineering. Employed by Orc Software AB since 2005. Shares held in Orc Software AB: 6,000.
Options held in Orc Software AB: 17,000.

HUGH STABLES VP Engineering

Born in 1964. MSc in Computer Science. Employed by Orc Software AB since 2000. Shares held in Orc Software AB: 0.
Options held in Orc Software AB: 17,000.

ANNIE WALSH Chief Marketing Officer

Born in 1966. BA Communications. Employed by Orc Software AB since 2006. Shares held in Orc Software AB: 750.
Options held in Orc Software AB: 17,000.

JOACIM WIKLANDER VP Product Management

Born in 1977. MSc in Engineering Physics and BSc in Business Administration and Economics. Employed by Orc Software AB since 2000.
Shares held in Orc Software AB: 500. Options held in Orc Software AB: 17,000.

STOCKHOLDER INFORMATION

Financial calendar

April 23	Interim report, first quarter
April 29	Annual General Meeting
July 10	Interim report, second quarter
October 15	Interim report, third quarter

Financial information

Can be ordered from:
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All financial information is published on www.orcsoftware.com immediately following public release.

Investor relations and press contact

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Annual General Meeting

The Annual General Meeting will be held on Wednesday, April 29, 2009, at 4:00 p.m. CEST at Orc Software AB's office, Kungsgatan 36, 5th floor, in Stockholm, Sweden.

Participation

Stockholders wishing to attend the Annual General Meeting must be recorded in the register of stockholders maintained by Euroclear Sweden AB (formerly VPC AB) no later than April 23, 2009, and must notify the company at:

Orc Software, Annual General Meeting
Box 7742
SE-103 95 Stockholm, Sweden
or by telephone +46 8 506 477 00
or by e-mail ir@orcsoftware.com
no later than April 23, 2009, 4:00 p.m. CEST.

Nominee shares

To be entitled to participate in the Annual General Meeting, stockholders whose shares have been registered in the name of a nominee through the trust department of a bank or a securities firm must temporarily register their shares with Euroclear Sweden AB (formerly VPC AB). Stockholders who wish to re-register their shares must notify their nominee no later than April 23, 2009.

Dividend

The Board of Directors proposes a dividend of SEK 4 per share. The proposed record date for payment of dividends is May 5, 2009. Provided that the Annual General Meeting approves the proposal, the dividend will be disbursed by Euroclear Sweden AB (formerly VPC AB) on May 8, 2009.

Nominating Committee

The Nominating Committee consists of Markus Gerdien (OM Technology AB), Kerstin Stenberg (Swedbank Robur fonder), Henrik Orre (Radar), Stefan Roos (SEB Private Bank S.A., NQI) and Chairman Ulf Strömsten (Catella Fondförvaltning).

Orc Software, Nominating Committee
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