



Orc Software AB – Interim Report 1 January-30 September 2000

- Revenue up by 62 percent during January-September 2000, to SEK 90 (56) million.
- Operating income up by 72 percent to SEK 36 (21) million.
- Earnings per share was SEK 1.90 (1.31).
- The shares in Orc Software are expected to be listed on the OM Stockholm Exchange on 19 October 2000.

Significant events during the period

Continued international expansion

During the period, Orc Software has formed subsidiaries in Australia, Italy and the UK for the operations taken over from OM Technology in these countries. In addition, Orc Software has established subsidiaries in Russia, Germany and Austria.

Strategic alliance with Bridge

In April 2000, Orc Software and Bridge Trading Company, Inc. entered into an alliance. Bridge is a leading global supplier of financial information and related services with a very strong position in North America. An equally owned company, agilX, will allow investors to trade stocks, options, futures and forward contracts using the Orc technology via an application that resides in Bridge's terminals or Bridge's Internet service. The service is expected to be launched in the fourth quarter 2000.

Revenue and operating income

During the period January-September 2000, revenue amounted to SEK 90 million, a 62 percent increase compared to the corresponding period previous year. The increase is partly attributable to growth within the existing customer segment with more Orc users and market connections per customer, and partly to new customers. There is also significant demand for the Orc Online product iOrc. The new market connection to Jiway, the electronic stock exchange launched by the OM Group together with Morgan Stanley Dean Witter, have raised considerable interest.

Revenue from markets outside Sweden accounted for 64 (62) percent of total revenue.

Orc Software's operating income increased by 72 percent to SEK 36 (21) million. Income after financial items increased by 75 percent to SEK 38 (22) million.

As a result of previously made currency hedges, the strengthening of the USD is not fully reflected in the operating income for the period.

The operating margin was 41 (38) percent.

The Board of Directors' objective for the coming three-year period is for Orc Software to increase its revenue in line with the average growth enjoyed by the Group over the past five years which amounts to slightly more than 50 percent per year. The operating margin shall be at least 30 percent over the period. The growth in revenue for the year 2000 is expected to be somewhat below the objective above while the operating margin is estimated to substantially exceed the objective.

Financial position and liquidity

Liquid funds at the close of the period amounted to SEK 69 million (SEK 66 million as of 31 December 1999). The equity/assets ratio was 59 percent (70 percent as of 31 December 1999). The Group has no interest-bearing liabilities.

Accounts receivable increased to SEK 31 million as of 30 September 2000, from SEK 6 million as of 31 December 1999. The increase is largely due to the fact that Orc Software took over the invoicing for the distribution operations for the Orc system from OM Technology during the first half of 2000. An equivalent increase has also taken place in respect of short-term liabilities, which includes customers' prepaid license fees.

Investments

Investments in fixed assets during the period amounted to SEK 5 million and consisted primarily of investments in hardware.

Cash flow

Cash flow after investments amounted to SEK 19 (14) million.

Personnel

The average number of employees during the period January-September 2000 amounted to 69 people. The number of employees as of 30 September 2000 was 80. The majority of new appointments relate to positions in Sales and Support, as well as Product Development.

Parent company

Revenue increased by 62 percent to SEK 89 (55) million. Income after financial items increased to SEK 42 (22) million.

Income statements

SEK thousand	Jan-Sept 2000	Jan-Sept 1999	1999
Revenue			
Systems revenue	85 897	51 241	77 126
Other operating revenue	4 108	4 501	6 586
Total revenue	90 005	55 742	83 712
Operating expenses			
External expenses	-23 972	-18 301	-29 117
Personnel expenses	-27 036	-13 922	-20 056
Depreciation	-2 518	-2 283	-3 467
Total expenses	-53 526	-34 506	-52 640
Operating income	36 479	21 236	31 072
Financial items			
Interest income	1 799	694	1 081
Interest expense	-14	-22	-76
Net financial items	1 785	672	1 005
Income after financial items	38 264	21 908	32 077
Tax on net income for the period	-11 146	-6 134	-10 012
Net income for the period	27 118	15 774	22 065

Balance sheets

SEK thousand	30 Sept 2000	30 Sept 1999	31 Dec 1999
Fixed assets	10 606	6 358	8 211
Current assets			
Accounts receivable	30 573	7 433	5 681
Other receivables	5 101	6 963	2 241
Cash and bank balances	69 066	33 381	65 887
Total current assets	104 740	47 777	73 809
TOTAL ASSETS	115 346	54 135	82 020
Shareholders' equity	67 622	28 814	57 305
Provisions for deferred taxes	4 692	2 734	4 696
Other non-interest bearing liabilities	43 032	22 587	20 019
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	115 346	54 135	82 020

Cash flow

SEK thousand	Jan-Sept 2000	Jan-Sept 1999	Jan-Dec 1999
Cash flow from operating activities	23 834	17 244	30 588
Cash flow from investing activities	-4 980	-3 043	-6 380
Cash flow from financing activities	-15 675	-11 999	10 500
Cash flow for the period	3 179	2 202	34 708
Liquid assets at the beginning of the period	65 887	31 179	31 179
Liquid assets at the end of the period	69 066	33 381	65 887

Key ratios

	Jan-Sept 2000	Jan-Sept 1999	1999
Operating margin, %	40.5	38.1	37.1
Return on equity, %	43.4	58.9	53.8
Equity/assets ratio, %	58.6	53.2	69.9
Investments, SEK million	4.6	3.0	6.4
Average number of employees	69	40	42
Earnings per share, SEK	1.90	1.31	1.83
Equity per share, SEK	4.75	2.40	4.02
Number of shares at the end of period, thousand	14 250	12 000	14 250

Financial information 2001

January	Preliminary report for 2000
March	Annual report for 2000
March	General meeting

Stockholm, 10 October 2000

The Board of Directors

I have performed a review of this interim report and thereby followed the recommendations set out by the Swedish Institute of Authorized Public Accountants, FAR. A review is significantly limited in scope compared to an audit. I have found nothing to suggest that this interim report does not comply with the requirements set out in the Annual Accounts Act.

Stockholm, 10 October 2000

*Björn Fernström
Authorized Public Accountant*

For further information contact:

Nils Nilsson, Chief Executive Officer, T: + 46 8 545 122 50

Lars Johansson, Chief Financial Officer, T: +46 8 545 122 77

Susanne Nilsson, Investor Relations, T: +46 8 545 124 57

www.orcsoftware.com

Orc Software's business concept is to develop and market standardised and turnkey software for pricing, trading and risk management in real time in international electronic markets for financial instruments, commodities and energy. The company is a leading international software supplier in this segment with customers in 16 countries.

Definitions of ratios

Operating margin

Operating income as a percentage of revenue.

Return on equity

Net income for the period as a percentage of average shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Shareholders' equity

Shareholders' equity at the end of the period. Average shareholders' equity has been calculated as opening plus closing equity divided by two.

Investments in fixed assets

Investments in fixed assets, after any disposals.

Average number of employees

Average number of employees for the period.

Earnings per share

Net income for the period divided by average number of shares.

Equity per share

Shareholders' equity at the end of the period divided by the number of shares at the end of the period.