



Orc Software AB – Interim Report January 1 – June 30, 2001

- Revenue for January-June 2001 increased by 64 percent to SEK 95 (58) million.
- Operating income for January-June 2001 increased by 65 percent to SEK 38 (23) million, giving an operating margin of 40 (39) percent.
- Revenue for April-June 2001 was SEK 50 (31) million and operating income in the same period increased to SEK 21 (12) million.
- Earnings per share amounted to SEK 1.99 (1.21).

Significant half year events

New customers

Orc Software has in the period entered into agreements with the company's first South Korean customer, Daewoo Securities. An agreement has also been signed with Credit Lyonnais, a new global customer for Orc Software.

NeoNet and Ecovision

NeoNet and Orc Software have entered into an agreement that allows Orc Software's customers to trade shares on the markets in NeoNet's trading network, using Orc Software's products.

Orc Software has also signed an agreement with Ecovision for direct trading on stock markets using the Orc system, through the brokerage house Fischer Partners Fondkommission AB. This is the first brokerage house to offer trading using Ecovision. However, other brokerage houses are interested in offering this service. The service allows institutional investors and other large customers to use the Ecovision system to trade on all the markets that the brokerage houses using the Orc system are connected to.

Orc Software develops and markets standardized and turnkey software systems for pricing, trading and risk management in real time in international financial, commodities and energy markets. The company is a leading international software vendor with clients in 18 countries.

Product development

Orc system version 2.4 was launched in the second quarter. The new version includes improvements in automatic trading, risk management, calculation performance and the grouping of financial products into logical units for faster and clearer overviews. The launch of version 2.4, which offers faster access to markets and further trading automation, strengthens Orc Software's position as a supplier of core technology in financial trading and risk management.

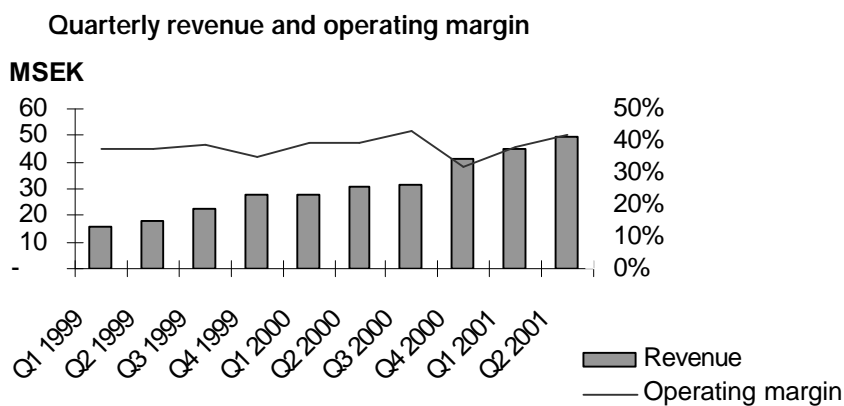
In April-June 2001, two market connections were introduced; the Swiss-British stock market virt-x and the Italian market place TLX that initially will offer trading in shares and warrants.

Orc Software has established a new development office in St. Petersburg, Russia. The St. Petersburg office will focus on the development of tools for the new product family Orc Software will be developing in the years ahead. The St. Petersburg office further increases Orc Software's opportunity to employ developers with leading-edge competencies. Orc Software had six employees in St. Petersburg as at June 30, 2001.

Attract40

Orc Software's shares began to be traded on the Stockholmsbörsen's Attract40 segment of the O-List on July 2, 2001.

Market and sales



January-June 2001

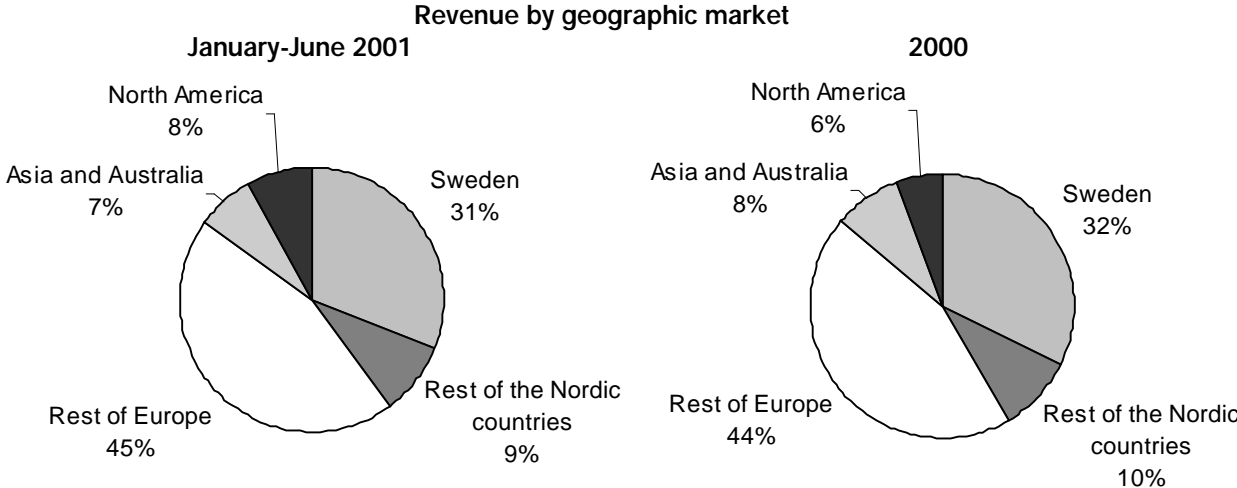
Group revenue for January-June 2001 increased by 64 percent to SEK 95 (58 during January-June 2000) million. System sales accounted for 96 (97) percent of the revenue, hardware sales and consulting revenue primarily accounting for the remainder.¹

Orc Software's sales increased despite turbulence in the financial markets. The Orc system is a business critical and revenue generating system for Orc Software's clients and Orc Software's sales are therefore less dependant upon the business cycle. Orc Software's international expansion further reduces the company's exposure to swings in the economies of different geographic areas. The suitability of the Orc system for new asset classes such as bonds and commodities also contributes to balanced growth and that sales continue according to plan.

¹ Other operating income previously included leasing income. This is now reported under system sales. This change is the result of the integration of leasing sales into system sales.

Sales in the British market continued to be strong in the period. Many multinational investment banks have their European headquarters in Britain, which strengthens Orc system's position as a core trading system in the international financial markets. In the second quarter, Orc Software won its first customer in the South Korean market. A further customer was also won in Tokyo. North America continued to develop well in the second quarter and increased its share of total sales, as did the Rest of Europe.

Sales to customers outside Sweden in January-June 2001 was 69 (63) percent of total sales. At the end of June 2001, Orc Software had customers in 18 countries.



Internet related revenues in the period were SEK 2.6 million.

The number of client sites at June 30, 2001 were 133, 13 using iOrc technology. At the end of March 2001 the figures were 127 and 13 respectively. The average income per client site² in January-June 2001 was SEK 1.4 million.

April-June 2001

Group revenue for April-June 2001 increased by 61 percent to SEK 50 (31) million which was 10 percent higher than the previous quarter.

Earnings

January-June 2001

Operating income for January-June 2001 increased by 65 percent to SEK 38 (23) million, giving an operating margin of 40 (39) percent.

The effect of exchange rate fluctuations on earnings was SEK 3.7 million. This has been calculated as the difference between the average exchange rates for the first half of 2000 and the average exchange rates for the first half of 2001. A strong US dollar, which was at SEK 10.75 at the end of the period, is the primary cause. Hedging activities reduced operating income by SEK 2.6 million.

² Calculated as total system sales divided by the average number of client sites during the period and expressed as a twelve-month figure.

At June 30, 2001, future flows corresponding to USD 10 million have been sold against the SEK, with an average remaining term of approximately 8 months at an average rate of 10.34.

April-June 2001

Operating income for April-June 2001 increased by 75 percent to SEK 21 (12) million, giving an operating margin of 42 (39) percent. The higher operating margin is a result of the increase in systems sales' share of total sales, which have higher margins than income from one time type sales, for example from installation.

Operating expenses

Operating expenses for January-June 2001 were SEK 57 (36) million. For April-June 2001 operating expenses were SEK 29 (19) million, SEK 1 million higher than for January-March 2001. Costs of premises were SEK 2 million for April-June 2001 and were largely unchanged on the previous quarter. Personnel costs however rose from SEK 15 to SEK 17 million. Consultancy costs for April-June 2001 were SEK 2 million.

Equity/assets ratio and profitability

The equity/assets ratio at the end of June 2001 was 66 percent as compared with 72 percent at the end of 2000. The return on capital employed increased from 52 percent for 2000 to 54 percent for January-June 2001 and the return on shareholders' equity fell from 40 to 39 percent.

Cash flow and investments

The consolidated cash flow before changes in working capital and investments in January-June 2001 was SEK 33 million. Group investments were SEK 4 million in the first half year 2001 and relate to investments in equipment and intangible assets.

The consolidated cash flow after changes in working capital and investments was SEK 44 million for January-June 2001 and was SEK 53 million for April-June 2001. The strong cash flow in April-June was primarily due to improved cash management routines introduced in the period. This contributed to a reduction in operating capital to SEK -26 million, which was SEK -10 million at the end of March 2001.

The company had no interest bearing liabilities in the period and liquid funds at June 30, 2001 were SEK 182 million, SEK 145 million of which were short term loans to OM Treasury AB at market terms.

The ratio between cash flow before financial items and taxes, and operating income before depreciation during the period was 1.3.

Tax situation

In January-June 2001 the tax rate was 27 (28) percent. Tax costs include the estimated tax for the parent company and for each subsidiary.

Personnel

At the end of June 2001 Orc Software had 91 (64) employees. The average number of employees in January-June 2001 was 87 (59). At the end of the period 19 (18) employees were women and 72 (46) were men.

Orc Software's employees were offered in the spring of 2001 the chance to purchase call options for Orc Software shares. The options were issued by D. Carnegie AB on behalf of Orc Software's main shareholders. As for previous years' option schemes, this will not result in any dilution and will not affect Orc Software's earnings. In total 270 000 options were issued to Orc Software's employees at a price of SEK 19 per option. The options have an exercise price of SEK 210 and a maturity date of March 1, 2004.

Shareholders

The number of shareholders at June 30, 2001 was 1 519.

Orc Software's ten largest known shareholders	No. of shares	% of capital and votes
OM Technology and subsidiaries	5 988 075	40.3
D. Carnegie	1 544 725	10.4
Ulrika Hagdahl*	1 502 000	10.1
Nils Nilsson*	1 496 000	10.1
Robur Small Cap Fund	331 500	2.2
Ronny Wester	200 252	1.3
Banque Carnegie Luxembourg (Fund)	173 100	1.2
Third Swedish AP Fund	149 800	1.0
Per Sandå	126 000	0.8
Jonas Hansbo	121 200	0.8
Banco Small Cap Fund	95 200	0.6
Joakim Johansson	95 000	0.6
Fredrik Sörebo	90 000	0.6
Other shareholders	3 217 348	21.8
Total	14 850 000	100.0

Source: VPC AB, direct and nominee-registered stock as of June 30, 2001.

* Ulrika Hagdahl and Nils Nilsson own 2 912 000 shares in Orc Software through Cancale Förvaltnings AB, a company owned equally by the two parties.

Financial objectives

The Board's goal for 2000-2002 is that Orc Software's revenue will increase at the same annual rate as achieved by the Group during 1995-1999, which was slightly above 50 percent.

The Board of Directors' goal is for an operating margin in 2000-2002 of at least 30 percent.

For 2001, the Board of Directors' goal is a revenue growth of slightly above 50 percent and an operating margin of at least 30 percent.

The parent company

The parent company's revenue increased in January-June 2001 by 29 percent to SEK 75 (58) million³. Earnings before appropriations and tax increased by 54 percent to SEK 37 (24) million.

Accounting principles

The Group's accounting principles are unchanged on those stated in the previous report.

As announced previously, Orc Software will from January 1, 2002 capitalize the company's development costs in market connections and depreciate these over three years, in accordance with the Swedish Financial Accounting Standards Council's recommendation no. 15 (RR15) relating to capitalization of development costs, which come into effect on January 1, 2002. This new principle will be applied for the first time in the preparation of the interim report for January-March 2002.

The development in St. Petersburg is however such that it justifies capitalization in accordance with the relevant principles. The company has therefore decided to book these costs, amounting to SEK 0.4 million, as fixed assets in the balance sheet as at June 30, 2001.

³ Orc Software took over overseas invoicing from OM Technology in 2000, and has administered most of the invoicing from the parent company. The subsidiaries invoice the parent company in an amount based on the subsidiaries' actual costs with income margins added. These costs are set-off against income in the parent company's accounts, which means that the periods are not fully comparable.

Income statement⁴

TSEK	Jan-June 2001	Jan-June 2000	Apr-June 2001	Apr-June 2000	Jan-Dec 2000
Operating revenue					
System sales	91 317	56 650	49 156	30 025	124 581
Other operating income	3 570	1 741	577	923	6 768
Total revenue	94 887	58 391	49 733	30 948	131 349
Operating expenses					
Purchase cost of goods sold	-2 147	-4 015	-308	-2 128	-5 682
External expenses					
Cost of premises	-3 987	-4 546	-1 893	-2 388	-9 024
Data-and telecom expenses	-2 902	-966	-1 010	-512	-3 646
Consulting fees	-3 958	-3 368	-2 244	-1 785	-7 312
Other external expenses	-8 903	-6 036	-5 231	-3 220	-12 831
Personnel expenses	-32 041	-15 009	-16 668	-7 955	-39 963
Depreciation	-2 972	-1 585	-1 572	-840	-3 193
Total expenses	-56 910	-35 525	-28 926	-18 828	-81 651
Operating income	37 977	22 866	20 807	12 120	49 698
Financial items					
Financial income	2 761	1 204	1 463	638	3 527
Financial expenses	-21	-6	-6	-3	-78
Net financial items	2 740	1 198	1 457	635	3 449
Income after net financial items	40 717	24 064	22 264	12 755	53 147
Tax on net income for the period	-11 170	-6 804	-6 497	-3 606	-12 449
Net income for the period	29 547	17 260	15 767	9 149	40 698
Earnings per share, SEK	1.99	1.21	1.06	0.64	2.83
Amount of shares at the end of the period, thousand	14 850	14 250	14 850	14 250	14 850
Average number of shares, thousand	14 850	14 250	14 850	14 250	14 373

⁴ The distribution of income and costs between the first and second quarters of 2000 is calculated based on a standardized method. This is because OM Technology administered some of the billing up to and including the first 6 months of 2000.

Balance sheet

SEK thousand	June 30, 2001	June 30, 2000	Dec. 31, 2000
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenditure	404	-	-
Tangible assets			
Equipment	14 922	8 989	14 334
Financial assets			
Shares in associated companies	2 745	-	2 710
Total fixed assets	18 071	8 989	17 044
Current assets			
Current receivables			
Accounts receivable	28 268	32 592	24 841
Other receivables	4 640	2 628	3 912
Prepaid expenses and accrued income	2 510	863	1 066
Cash and bank balances	182 183	57 898	159 116
Total current assets	217 601	93 981	188 935
TOTAL ASSETS	235 672	102 970	205 979
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	1 485	1 200	1 485
Unregistered share capital	-	225	-
Share premium reserve	87 197	22 275	87 197
Restricted reserves	18 060	12 293	18 040
Non-restricted shareholders' equity			
Retained earnings	19 777	5 563	-176
Translation difference	165	-	65
Net income for the period	29 547	17 260	40 698
Total shareholders' equity	156 231	58 816	147 309
Provisions			
Deferred tax liability	6 922	4 690	6 922
Total provisions	6 922	4 690	6 922
Current liabilities			
Accounts payable	4 143	281	4 488
Tax liabilities	9 236	5 052	6 283
Other liabilities	5 054	3 318	6 281
Accrued expenses and prepaid income	54 086	30 813	34 696
Total current liabilities	72 519	39 464	51 748
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	235 672	102 970	205 979
Pledged assets	None	None	None
Contingent liabilities	None	None	None

Specification of the shareholders' equity

	Share capital	Restricted reserves	Unrestricted share- holders' equity	Total
Opening balance January 1, 2001	1 485	105 237	40 587	147 309
Approved, unpaid dividend	-	-	-20 790	-20 790
Translation difference	-	-	165	165
Transfer to statutory reserve in accordance with distribution of earnings	-	20	-20	0
Net income for the period	-	-	29 547	29 547
Closing balance June 30, 2001	1 485	105 257	49 489	156 231

Consolidated cash-flow statement

SEK thousand	Jan-June 2001	Jan-June 2000	2000
Operating activities			
Operating income	37 977	22 866	49 698
Adjustment for items not included in cash flow	591	-	26
Depreciation	2 972	1 585	3 193
Financial items	2 579	1 198	3 317
Income tax paid	-11 170	-6 804	-10 217
Cash flow from operating activities before changes in working capital	32 949	18 845	46 017
Changes in working capital			
Changes in operating receivables	-5 600	-23 880	-21 897
Changes in operating liabilities	20 771	15 164	31 729
Total change in working capital	15 171	-8 716	9 832
Cash flow from operating activities	48 120	10 129	55 849
Investment activities			
Acquisition of tangible fixed assets	-3 824	-2 449	-9 224
Acquisition of financial fixed assets	-404	-	-2 710
Sale of shares and participations	-35	6	7
Cash flow from investment activities	-4 263	-2 443	-11 927
Financing activities			
Dividends	-20 790	-15 675	-15 675
New share issue	-	-	64 982
Cash flow from financing activities	-20 790	-15 675	49 307
Change in liquid funds	23 067	-7 989	93 229
Opening liquid funds	159 116	65 887	65 887
Closing liquid funds	182 183	57 898	159 116

Key ratios⁵

	Jan-June 2001	Jan-June 2000	Apr-June 2001	Apr-June 2000	2000
Operating margin, %	40	39	42	39	38
Return on equity, %	39	30	43	-	40
Return on capital employed, %	54	44	60	-	52
Asset turnover ratio	1.3	2.0	1.3	-	1.3
Equity/assets ratio, %	66	57	66	57	72
Average number of employees	87	59	89	58	67
Earnings per share, SEK	1.99	1.21	1.06	0.64	2.83
Equity per share, SEK	10.52	4.13	10.52	4.13	9.92
No. of shares at end of period, thousand	14 850	14 250	14 850	14 250	14 850

⁵ The distribution of income and costs between the first and second quarters of 2000 is calculated based on a standardized method. This is because OM Technology administered some of the billing up to and including the first 6 months of 2000. As a result, no comparative figures relating to the balance sheet for the first quarter of 2000 can be given.

Quarterly values⁶

Income statement

SEK thousand	Q1 2000	Q2 2000	Q3 2000	Q4 2000	Q1 2001	Q2 2001
Operating revenue						
System sales	26 625	30 025	29 247	38 684	42 161	49 156
Other operating income	818	923	2 367	2 660	2 993	577
Total revenue	27 443	30 948	31 614	41 344	45 154	49 733
Operating expenses						
External expenses	-8 898	-10 033	-5 041	-14 523	-11 211	-10 686
Personnel expenses	-7 054	-7 955	-12 027	-12 927	-15 373	-16 668
Depreciation	-745	-840	-933	-675	-1 400	-1 572
Total expenses	-16 697	-18 828	-18 001	-28 125	-27 984	-28 926
Operating income	10 746	12 120	13 613	13 219	17 170	20 807
Net financial items	563	635	587	1 664	1 283	1 457
Tax on income for the period	-3 198	-3 606	-4 342	-1 303	-4 673	-6 497
Net income for the period	8 111	9 149	9 858	13 580	13 780	15 767

Balance sheet

SEK thousand	June 2000	Sept 2000	Dec 2000	Mar 2001	June 2001
Fixed assets	8 989	10 606	17 044	17 201	18 071
Current assets					
Accounts receivable	32 592	30 573	24 841	51 181	28 268
Other receivables	3 491	5 101	4 978	6 747	7 150
Cash and bank balances	57 898	69 066	159 116	150 224	182 183
Total current assets	93 981	104 740	188 935	208 152	217 601
TOTAL ASSETS	102 970	115 346	205 979	225 353	235 672
Shareholders' equity	58 816	67 622	147 309	140 284	156 231
Provisions for deferred tax liability	4 690	4 692	6 922	6 922	6 922
Other interest-free liabilities	39 464	43 032	51 748	78 147	72 519
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	102 970	115 346	205 979	225 353	235 672

⁶ The distribution of income and costs between the first and second quarters of 2000 is calculated based on a standardized method. This is because OM Technology administered some of the billing up to and including the first 6 months of 2000. As a result, no comparative figures relating to the balance sheet for the first quarter of 2000 can be given.

Upcoming financial reports

October 10 Interim report for the third quarter of 2001
January 2002 Year-end report for 2001

Stockholm, July 11, 2001

Board of Directors

I have performed a review of this interim report and in accordance with 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 Securities and Clearing Operations Act and the Annual Accounts Act.

Stockholm July 11, 2001

*Björn Fernström
Authorized Public Accountant*

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Definitions of ratios

Operating margin

Operating income as a percentage of the revenue.

Return on capital employed

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

Return on equity

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

Equity/assets ratio

Shareholders' equity as a percentage of the total assets.

Capital employed

Total assets minus interest-free debt, including deferred tax liability in untaxed reserves.

Shareholders' equity

Shareholders' equity at the end of the period.

Operating capital

Total assets minus interest-free debt, including deferred tax liability in untaxed reserves, as well as cash and bank balances.

Asset turnover ratio

Revenue divided by average capital employed.

Investments in fixed assets

Investments in fixed assets, after any disposals.

Average number of employees

Average number of employees for the period, based on head counts at the beginning of the period and at the end of each quarter.

Earnings per share

Net income for the period divided by the 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.