



## Orc Software AB – Interim report January 1 – September 30, 2003

- **Revenue for January-September 2003 decreased by 8 percent to SEK 187 (204) million.**
- **Operating income for January-September 2003 decreased by 33 percent to SEK 59 (88) million, giving an operating margin of 31.6 (43.0) percent. Income after taxes amounted to SEK 44 (72) million.**
- **Revenue for July-September 2003 amounted to SEK 62 (70) million with an operating income of SEK 21 (27) million, giving an operating margin of 33.2 (37.9) percent. Income after taxes amounted to SEK 15 (24) million.**
- **Earnings per share for January-September 2003 amounted to SEK 2.95 (4.85).**

### Markets

The development on the world's financial markets during the quarter has contributed to an increased investment interest among participants in the markets. Market activity has increased among various client groups as well as with the exchanges, for example, the Eurex US, CBOT and Boston Options Exchange (BOX). A continuous focus on cost cuts has shifted to an increased interest in new technology. The industry continues to consolidate with fewer geographical centers; as a result the individual center is growing in size and covering more markets.

During the quarter, Orc Software sold its most advanced technology and the company anticipates further demand for this technology. A global launch will take place during the fourth quarter aiming to strengthen Orc Software's position as a leading supplier of advanced electronic trading technology.

Certain cautiousness still prevails on the markets in the Nordic region. Nonetheless Orc Software acquired two new clients in the region and the company also noted a continued demand for market access.

European clients demand solutions that enable the centralization of trading in one geographical location. Overall European OTC-trading continues to increase in volume.

The conversion to electronic trading on the North American markets continues at full speed. During the quarter Eurex announced the launch of Eurex US, which will further increase the demand for

*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 19 countries. The Orc Software share is listed on Stockholmsbörsen's O-list.*

advanced electronic trading technology. Trading on the Eurex US is scheduled to begin February 1, 2004.

During the quarter Orc Software was certified for all trading categories on the BOX. Thus, Orc Software can now offer its clients direct trading access on the BOX. The exchange is awaiting approval for its operations from the Securities and Exchange Commission (SEC) and expects a decision during the fourth quarter.

During the quarter Orc Software also developed a market connection to e-cbot, the Chicago Board of Trade's new exchange system based on LIFFE CONNECT. Orc Software's new product for futures trading, Orc Futures, is very well suited for participants trading on this market.

A clear trend in Asia and Australia is the consolidation of major participants' businesses to fewer geographical locations. This increases the need for market access primarily in Japan and South Korea. For Orc Software in general this creates excellent possibilities, particularly for Orc ExNet.

The alliance with Reuters continues to develop well and has generated sales revenue as of the first quarter 2003.

## Outlook

Sales of the company's most advanced technology partly consist of initial payments and Orc ExNet's transaction based model is starting to contribute notably to the company's revenue. This has resulted in a more diversified revenue model, which makes it more difficult to predict revenue performance from quarter to quarter. Furthermore, revenue from the alliance with Reuters is also difficult to foresee. Therefore Orc Software will not continue to provide forecasts.

During the next quarters Orc Software will be affected partly by previously notified terminations of contracts and user licenses and partly by a greater impact from the weakening US dollar as the company's foreign exchange hedges expires. Furthermore the company has completed a development project in St. Petersburg, which will result in lower capitalization of development expenses and increased amortization of intangible assets.

Orc Software has a positive view of the market outlook, which is supported by the increased market activity. With a broadened product offering the company is well positioned to take advantage of opportunities resulting from clients' increased willingness to invest, and during the upcoming quarters the company will therefore work more aggressively on marketing and sales activities.

## Significant events during the period

### **Reuters alliance**

During the last quarter the alliance has continued to make good progress. Additional contracts have been signed in Denmark, the Netherlands and Germany. In Germany, one of the larger banks has chosen ROMEX, Reuters new trading tool based on Orc Software's technology, for its equity sales desk, with a total of 40 positions to be installed.

The customer support structure is now firmly in place, and the local interaction between Orc Software and Reuters is working well. For example, a client in Germany with a subsidiary in UK can get local support for both offices in their respective local languages. Adding the local offices' market expertise contributes to the creation of an attractive customer offering.

## **Orc ExNet**

During the period, Orc ExNet signed agreements with two additional cooperation partners, Morgan Stanley and Capital Futures Corporation, a Taiwanese brokerage firm and a part of Capital Group. Via Morgan Stanley, Orc Software's clients can trade on the American and European stock exchanges. Capital Futures Corporation provides Orc Software's clients with trading possibilities on the Taiwan Futures Exchange (TAIFEX) and the Taiwan Stock Exchange Corporation (TSEC).

Development work related to the announced collaboration between Orc ExNet and SEB Merchant Banking in March was completed during the third quarter. Orc ExNet can now offer Orc Software's clients the possibility to trade foreign exchange through SEB's foreign exchange market TSI.

As of September 30, 2003, via its cooperation partners, Orc ExNet offered 30 market connections in Asia, Australia, Europe and North America.

## **Market connections**

As of September 30, 2003, Orc Software had direct market connections to 53 exchanges. During the quarter connections to the following markets were established:

- Boston Options Exchange, US
- Chicago Board Options Exchange, US
- Chicago Board of Trade (e-cbot), US
- Osaka Stock Exchange, Japan
- SEB's foreign exchange market TSI (through Orc ExNet)

## **Orc Software launches Orc Online**

During the second quarter Orc Software signed an agreement with the Norwegian software development company Infront, providing Orc Software with the possibility to globally distribute Infront's information- and trading system. The product, which has been named Orc Online, will now be launched as a part of Orc Software's product offering. The product is an Internet application with real-time prices, news, and a completely integrated order platform that complements Orc Software's product portfolio well.

## **Product development**

During the period Orc Software's client applications Orc Trader, Orc Broker and Orc Futures have been enhanced with additional functionality. A number of new functions have been added, among other things, new order types such as parent child order, the possibility to enter an order at a volume weighted average price and so called bait orders. Furthermore the system's automated alert functions have been improved. Further enhancements to the Orc Technology include functions that make a broker's management of a large number of client orders more efficient. Furthermore Orc Software has developed a function that makes it possible to automatically update, for example, price and volume information via Excel. During the period development work has been focused on the company's most advanced technology in preparation for the global launch scheduled to take place during the fourth quarter.

## **Share repurchase**

During the third quarter of 2003 Orc Software did not purchase any Orc shares. So far Orc Software has purchased a total of 225,000 shares, which equals 1.5 percent of the 14 850 000 issued shares.

## **Organizational changes**

Changes were made in Orc Software's management group during the quarter. As of September 1 the management group consists of Nils Nilsson, CEO, Jonas Hansbo, Executive Vice President and CTO, and Lars Johansson, previously CFO, now COO and Executive Vice President.

Mikael Klingman, previously General Manager of Orc Software Italy, has been appointed Head of Account Management and Support.

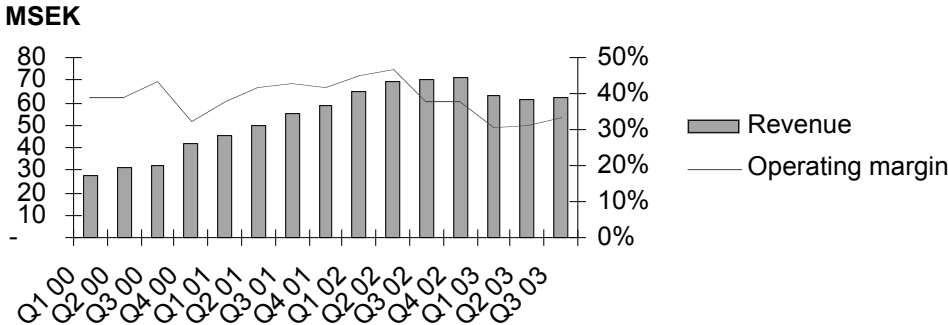
The organizational changes are a step towards strengthening the sales, client account management and support organization as well as synchronizing product development and ongoing activities in the market, which more effectively enables Orc Software's products to meet clients' needs.

**Events after reporting period**

Following the end of the period Orc Software acquired the remaining 50 percent of Orc Tradelab Robotic Trading AB and now owns 100 percent of the company. The financial effects of this acquisition are insignificant.

**Revenue<sup>1</sup>**

**Quarterly revenue and operating margin**



**January-September 2003**

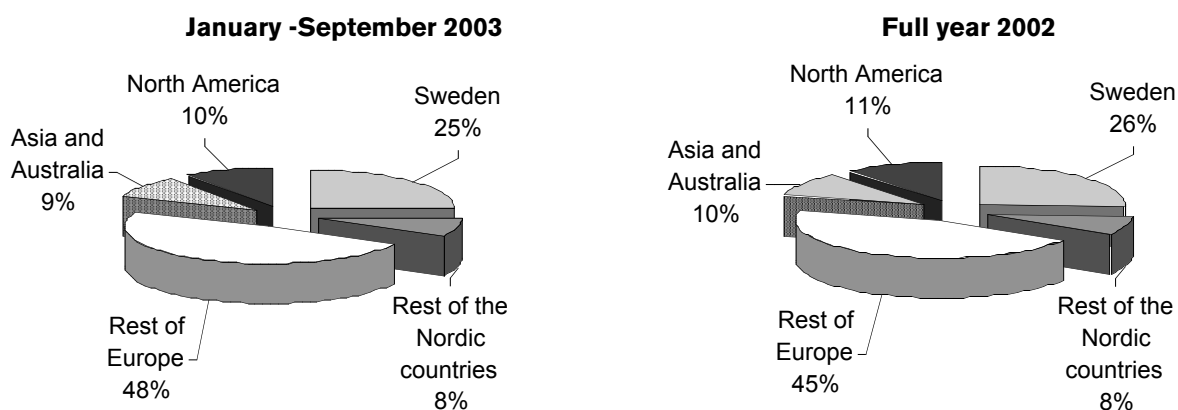
The Group's revenue decreased during January-September 2003 by 8 percent to SEK 187 (204 in the corresponding period 2002) million. Around 88 (91) percent of the revenue was made up of systems revenue.

Other operating revenue increased to SEK 10.1 (9.5) million and primarily represents hardware sales as well as consulting revenue.

During January-September 2003, revenue from clients located outside Sweden represented 75 (73) percent of total revenue. At the end of September 2003, Orc Software had clients in a total of 19 (19) countries.

<sup>1</sup> Revenue and operating margin for 2002 and 2003 are calculated after taking into account an increase in revenue of SEK 11.4 (9.4) million for January-September 2003 subsequent to the capitalization of development expenditure, in accordance with the Swedish Financial Accounting Standards Council's recommendation no.15 (RR15).

## Revenue per geographic market



The number of client sites<sup>2</sup> amounted to 157 (161) at the end of September 2003. Average revenue per client site<sup>3</sup> amounted during January-September to SEK 1.3 (1.6) million.

### July-September 2003

During July-September 2003 the Group's revenue decreased by 11 percent to SEK 62 (70) million. Revenue increased by 2 percent compared with the previous quarter, despite earlier announced cutbacks by one of the company's largest clients that came into effect as of July 1, 2003. The improvement depended on, among other things, the sale of Orc Software's most advanced technology.

During the quarter 7 new client sites were added from Australia, Sweden, Switzerland and the UK. The number of lost client sites equaled 19, of which 11 are related to previously announced cutbacks from one of the Group's largest clients. During the period Orc Software received cancellations from 3 client sites.

Orc ExNet continued to develop well and noted an increase in sales during the quarter, especially for the Asian markets.

## Earnings

### January-September 2003

Operating income decreased during January-September 2003 by 33 percent to SEK 59 (88) million, representing an operating margin of 31.6 (43.0) percent.

The effect of foreign exchange fluctuations, calculated as a change in the respective average exchange rates between January-September 2002 and January-September 2003, amounted to SEK -9.1 million. Foreign exchange hedging resulted in an effect on operating level of SEK 8.3 million.

As of September 30, 2003, future flows equivalent to SEK 123 (171) million had been hedged<sup>4</sup>, consisting of US dollar 8.7 (12) million and Euro 5 (5) million secured against Swedish kronor at an average forward rate of 9.71 (10.32) and 9.27 (9.38) with a total average remaining duration of around 5 (8) months.

<sup>2</sup> The number of client sites includes those sites that at the end of the accounting period paid a license fee.

<sup>3</sup> Calculated as total systems revenue divided by the average number of client sites during the period, expressed as an annualized figure.

<sup>4</sup> Of which SEK 56 million had OM Treasury as the counterparty.

At the end of the period non-realized foreign exchange gains amounted to SEK 12.4 (9.7) million, valued at a SEK/USD rate of 7.66 (9.28) and SEK/EUR rate of 8.91 (9.13).

### **July-September 2003**

Operating income decreased during July-September 2003 by 22 percent to SEK 21 (27) million, representing an operating margin of 33.2 (37.9) percent. Compared to the previous quarter operating income increased by 8 percent.

### **Operating expenses<sup>5</sup>**

Operating expenses increased during January-September 2003 by 9 percent to SEK 128 (117) million and were largely unchanged compared to the previous quarter. A strengthened Swedish krona against both the US dollar and the British pound resulted in a slightly positive effect on costs.

Personnel costs increased by 10 percent to SEK 68 (62) million. During the same period the average number of employees increased by 13 percent. In relation to the previous quarter these costs increased by 2 percent.

The purchase cost of goods sold decreased during January-September compared to the same period in the previous year, as a result of decreased hardware sales. The cost in comparison to the second quarter was largely unchanged.

Cost of premises increased by 21 percent to SEK 12.7 (10.5) million during January-September 2003 as a consequence of the expansion of the office in Stockholm and the new office in Tokyo. The cost in comparison to the previous quarter was unchanged.

Telecom expenses during January-September were unchanged and amounted to SEK 5.6 (5.7) million. During July-September the expenses increased somewhat compared to the previous quarter due to the variation of one-off expenses for the development of market connections.

Consulting fees, related to product development, increased in comparison to the equivalent period during the previous year and amounted to SEK 6.8 (4.7) million. The increase is mostly related to external development of a new program application. Compared with the previous quarter these costs decreased marginally.

Other external expenses were largely unchanged and amounted to SEK 21.3 (20.8) million. In relation to the previous quarter these costs decreased by 7 percent, primarily as a result of a decreased utilization of external resources.

Depreciation and amortization increased by 14 percent to SEK 8.9 (7.8) million, a result of the increased number of offices and employees as well as amortization of intangible fixed assets. Depreciation and amortization decreased compared to the previous quarter.

### **Capitalized development expenditure**

Capitalized development expenditure during January-September 2003 amounted to SEK 11.4 (9.4) million. The increase is primarily represented by the external development of a new program application. Amortization of the accumulated capitalized development expenditure amounted to SEK -2.1 (-0.6) million.

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<sup>5</sup> Due to Orc Software's working methods, whereby there is a considerable overlap between sales and support work and sales and development work, Orc Software reports its results according to the principles for an income statement presented by type of cost.

Orc Software's project group in St. Petersburg, which worked on developing new tools for Orc Software's upcoming products, completed the project at the end of the third quarter. The capitalized development expenses for this project will therefore cease and the accumulated capitalized development expenses will be amortized over a period of three years starting during the fourth quarter. The individuals involved in this project will continue to work with the current development of the Orc Technology, which will not be capitalized.

### **Equity/assets ratio and earning capacity**

The equity/assets ratio amounted at the end of September 2003 to 70 (68) percent compared with 69 percent at the end of June 2003. During January-September 2003 return on capital employed amounted to 36 (60) percent, and return on equity to 24 (46) percent.

### **Cash flow and investments**

The Group's cash flow before changes in working capital and investments equaled SEK 40 (85) million in January-September 2003. The reduced cash flow was primarily a result of a lower operating income and a reduced tax debt.

The change in working capital amounted to SEK 4 million during January-September 2003 and was primarily due to a decrease in accounts payable and other operating liabilities. Operating capital amounted to SEK -4 (-24) million at the end of September 2003. The increase in operating capital is due to lower liquid funds and a somewhat increased shareholders' equity.

The Group's investments amounted to SEK 16 (18) million during January-September 2003, and primarily consisted of capitalized development expenditure equaling SEK 11 million as well as investments in computer and office equipment equaling SEK 4 million.

The Group's cash flow after investments amounted to SEK 20 (65) million during the period January-September 2003.

The company did not have any interest-bearing liabilities during the period. Liquid funds amounted to SEK 238 (255) million as of September 30, 2003.

The ratio between cash flow before financial items and tax, and operating income before depreciation and amortization, amounted to 0.7 (0.8) for January to September 2003.

### **Taxation**

The tax rate during January-September 2003 amounted to 30 (24) percent. Tax expenses are calculated after estimated tax for parent company and respective subsidiaries.

### **Employees**

At the end of September 2003, Orc Software had 137 (137) employees. The average number of employees during January-September 2003 was 136 (120). The number of women amounted at the end of September to 25 (24), and the number of men 112 (113).

## Transactions with affiliated companies

During the quarter Orc Software sold technological components to OM Technology for SEK 3 million.

## The Parent company

The Parent company's revenue<sup>6</sup> decreased during January-September 2003 by 14 percent to SEK 119 (139) million. Income after financial items decreased to SEK 51 (78) million. Liquid funds amounted at the end of the period to SEK 211 (235) million, of which SEK 189 (204) million consisted of short-term investments.

## Nominating Committee

In accordance with the authorization from the General Annual Meeting in April of 2003, Orc Software's chairman, Magnus Böcker appointed a nominating committee. Until the General Annual Meeting for 2004 the nominating committee consists of Magnus Böcker (OMHEX AB), Ulrika Hagdahl (Cancale Förvaltnings AB), Mats Gustafsson (SEB Asset Management) and Tomas Nicolin (Third Swedish National Pension Fund). The committee is responsible for issuing a proposal for the members of Orc Software's Board of Directors and Director's compensation. Contact details for the nominating committee are available at the end of the report.

## Accounting principles

This interim report has been prepared in accordance with the Swedish Accounting Standards Council's recommendation on interim reporting (RR 20). The same accounting principles have been used as in the last annual accounts.

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<sup>6</sup> Most of Orc Software's invoicing is administrated from the Parent company. The subsidiaries invoice the Parent company an amount based on their actual costs plus a profit margin. These costs are eliminated against revenue in the Parent company's accounts.

## Income statement

SEK thousands	Jan-Sept 2003	Jan-Sept 2002	July-Sept 2003	July-Sept 2002	Jan-Dec 2002
<b>Operating revenue</b>					
Systems revenue	165 055	185 565	56 457	61 549	246 688
Work performed by the company for its own use and capitalized	11 448	9 405	2 336	3 200	13 412
Other operating revenue	10 106	9 469	3 383	5 376	15 234
<b>Total revenue</b>	<b>186 609</b>	<b>204 439</b>	<b>62 176</b>	<b>70 125</b>	<b>275 334</b>
<b>Operating expenses</b>					
Purchase cost of goods sold	-3 963	-5 165	-892	-3 949	-8 169
External expenses					
Cost of premises	-12 736	-10 528	-4 114	-4 050	-14 914
Telecom expenses	-5 619	-5 653	-2 007	-1 904	-8 147
Consulting fees	-6 811	-4 710	-1 958	-2 399	-6 995
Other external expenses	-21 254	-20 780	-6 833	-7 667	-29 294
Personnel costs	-68 403	-61 989	-22 836	-20 753	-82 443
Depreciation and amortization	-8 874	-7 752	-2 900	-2 849	-10 747
<b>Total expenses</b>	<b>-127 660</b>	<b>-116 577</b>	<b>-41 540</b>	<b>-43 571</b>	<b>-160 709</b>
<b>Operating income</b>	<b>58 949</b>	<b>87 862</b>	<b>20 636</b>	<b>26 554</b>	<b>114 625</b>
<b>Financial items</b>					
Profit/loss from participation in associated companies	-1 210	-166	-719	238	-564
Financial income	5 748	6 615	1 540	2 353	9 123
Financial expenses	-231	-22	-145	-2	-59
<b>Net financial income</b>	<b>4 307</b>	<b>6 427</b>	<b>676</b>	<b>2 589</b>	<b>8 500</b>
<b>Income after financial items</b>	<b>63 256</b>	<b>94 289</b>	<b>21 312</b>	<b>29 143</b>	<b>123 125</b>
Tax on net income for the period	-18 970	-22 453	-6 388	-5 298	-36 047
Minority's part of the income for the period	-732	194	-266	-5	141
<b>Net income for the period</b>	<b>43 554</b>	<b>72 030</b>	<b>14 658</b>	<b>23 840</b>	<b>87 219</b>
Earnings per share <sup>7</sup> , SEK	2.95	4.85	1.00	1.61	5.87
Number of shares at end of period excluding Orc Software's own holdings, thousands	14 625	14 850	14 625	14 850	14 850
Average number of shares excluding Orc Software's own holdings, thousands	14 742	14 850	14 625	14 850	14 850

<sup>7</sup> Orc Software does not have any convertible loans or warrants.

## Balance sheet

SEK thousands	Sept 30 2003	Sept 30 2002	Dec 31 2002
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets			
Capitalized development expenditure	23 154	10 538	13 832
Goodwill	310	403	382
Other intangible fixed assets <sup>8</sup>	2 350	3 092	2 906
Tangible assets			
Equipment	16 623	16 855	19 750
Financial assets			
Shares in associated companies	866	2 225	1 827
Other long-term financial assets	5 390	-	4 115
<b>Total fixed assets</b>	<b>48 693</b>	<b>33 113</b>	<b>42 812</b>
<b>Current assets</b>			
Current receivables			
Accounts receivable	37 164	41 904	36 206
Other receivables	2 606	4 354	7 500
Prepaid expenses and accrued income	7 194	6 186	4 776
Short-term investments	191 564	202 572	240 299
Cash and bank balances	45 994	52 276	33 523
<b>Total current assets</b>	<b>284 522</b>	<b>307 292</b>	<b>322 304</b>
<b>TOTAL ASSETS</b>	<b>333 215</b>	<b>340 405</b>	<b>365 116</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
Share capital	1 485	1 485	1 485
Restricted reserves	138 614	119 635	138 818
Non-restricted equity			
Non-restricted reserves	48 394	37 129	17 621
Net income for the period	43 554	72 030	87 219
<b>Total equity</b>	<b>232 047</b>	<b>230 279</b>	<b>245 143</b>
<b>Minority interest</b>	<b>1 216</b>	<b>431</b>	<b>484</b>
<b>Provisions</b>			
Deferred tax liability	19 573	12 415	19 573
<b>Total provisions</b>	<b>19 573</b>	<b>12 415</b>	<b>19 573</b>
<b>Current liabilities</b>			
Accounts payable	5 330	4 058	7 445
Tax liabilities	5 121	19 080	19 106
Other liabilities	3 041	4 770	5 066
Accrued expenses and prepaid income	66 887	69 372	68 299
<b>Total current liabilities</b>	<b>80 379</b>	<b>97 280</b>	<b>99 916</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>333 215</b>	<b>340 405</b>	<b>365 116</b>
Pledged assets	None	None	None
Contingent liabilities	None	None	None

<sup>8</sup> This item pertains to Orc ExNet.

## Specification of the Group's goodwill

The goodwill arose in conjunction with the establishment of Orc ExNet and is being amortized over a period of 60 months, with adjustments for potential need for write-downs.

	SEK thousands
Acquisition value less accumulated amortization January 1, 2003	382
Amortization for the period	-72
Acquisition value less accumulated amortization September 30, 2003	310

## Specification of equity (SEK thousands)

<b>Jan-Sept 2003</b>	<b>Share Capital</b>	<b>Restricted Reserves</b>	<b>Non-restricted Equity</b>	<b>Total</b>
Opening balance January 1, 2003	1 485	138 818	104 840	245 143
Dividend for 2002	-	-	-44 550	-44 550
Share repurchase	-	-	-11 177	-11 177
Translation difference etc.	-	-204	-719	-923
Net income for the period	-	-	43 554	43 554
Closing balance September 30, 2003	1 485	138 614	91 948	232 047

<b>Jan-Sept 2002</b>	<b>Share Capital</b>	<b>Restricted Reserves</b>	<b>Non-restricted Equity</b>	<b>Total</b>
Opening balance January 1, 2002	1 485	119 615	70 707	191 807
Dividend for 2001	-	-	-32 670	-32 670
Translation difference	-	-	-888	-888
Transfer to statutory reserve in accordance with distribution of earnings	-	20	-20	0
Net income for the period	-	-	72 030	72 030
Closing balance September 30, 2002	1 485	119 635	109 159	230 279

<b>July-Sept 2003</b>	<b>Share Capital</b>	<b>Restricted Reserves</b>	<b>Non-restricted Equity</b>	<b>Total</b>
Opening balance July 1, 2003	1 485	138 706	77 673	217 864
Translation difference etc.	-	-92	-383	-475
Net income for the period	-	-	14 658	14 658
Closing balance September 30, 2003	1 485	138 614	91 948	232 047

<b>July-Sept 2002</b>	<b>Share Capital</b>	<b>Restricted Reserves</b>	<b>Non-restricted Equity</b>	<b>Total</b>
Opening balance July 1, 2002	1 485	119 402	85 365	206 252
Translation difference	-	-	-187	-187
Other adjustments	-	233	-233	0
Net income for the period	-	-	23 840	23 840
Closing balance Sept 30, 2002	1 485	119 635	109 159	230 279

## Cash flow statement

SEK thousands	Jan-Sept 2003	Jan-Sept 2002	Jan-Dec 2002
<b>Operating activities</b>			
Operating income	58 949	87 862	114 625
Adjustments for items not included in cash flow			
Depreciation and amortization	8 874	7 752	10 747
Other adjustments for items not included in cash flow	-126	1 021	1 037
Financial items	5 209	6 022	8 850
Income tax paid <sup>9</sup>	-32 955	-17 604	-24 016
<b>Cash flow from operating activities before changes in working capital</b>	<b>39 951</b>	<b>85 053</b>	<b>111 243</b>
<b>Changes in working capital</b>			
Changes in operating assets	1 545	-7 024	-3 297
Changes in operating liabilities <sup>9</sup>	-5 059	4 767	7 520
<b>Total change in working capital</b>	<b>-3 514</b>	<b>-2 257</b>	<b>4 223</b>
<b>Cash flow from operating activities</b>	<b>36 437</b>	<b>82 796</b>	<b>115 466</b>
<b>Investment activities</b>			
Investments in intangible fixed assets	-11 448	-9 404	-13 413
Investments in tangible fixed assets	-3 552	-7 131	-12 835
Changes in financial fixed assets	-1 332	-1 490	-5 605
Sale of tangible fixed assets	-	84	-
<b>Cash flow from investment activities</b>	<b>-16 332</b>	<b>-17 941</b>	<b>-31 853</b>
<b>Financing activities</b>			
Share repurchase	-11 177	-	-
Dividend	-44 550	-32 670	-32 670
<b>Cash flow from financing activities</b>	<b>-55 727</b>	<b>-32 670</b>	<b>-32 670</b>
Change in liquid funds	-35 622	32 185	50 943
Opening liquid funds	273 822	224 289	224 289
Translation difference/exchange differences in liquid funds	-642	-1 626	-1 410
Closing liquid funds	237 558	254 848	273 822

## Key ratios

	Jan-Sept 2003	Jan-Sept 2002	July-Sept 2003	July-Sept 2002	Jan-Dec 2002
Operating margin, %	31.6	43.0	33.2	37.9	41.6
Return on equity, %	24	46	24	44	40
Return on capital employed, %	36	60	35	53	57
Asset turnover ratio	1.0	1.3	1.0	1.3	1.3
Equity/assets ratio, %	70	68	70	68	67
Average number of employees	136	120	136	131	124
Earnings per share, SEK	2.95	4.85	1.00	1.61	5.87
Equity per share, SEK	15.87	15.51	15.87	15.51	16.51
Share price at end of the period, SEK	76.50	56.50	76.50	56.50	67.50
Number of shares at end of period excluding Orc Software's own holdings, thousands	14 625	14 850	14 625	14 850	14 850

<sup>9</sup> Tax debt was previously included in changes in operating liabilities but is now accounted in income tax paid in accordance with the Swedish Accounting Standards Council's recommendation RR 7. Comparative figures have been adjusted accordingly.

## Quarterly figures

### Income statement

SEK thousands	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003
<b>Operating revenue</b>							
Systems revenue	60 167	63 849	61 549	61 123	54 005	54 593	56 457
Work performed by the company for own use and capitalized	3 422	2 783	3 200	4 007	4 931	4 181	2 336
Other operating revenue	1 638	2 455	5 376	5 765	4 575	2 148	3 383
<b>Total revenue</b>	<b>65 227</b>	<b>69 087</b>	<b>70 125</b>	<b>70 895</b>	<b>63 511</b>	<b>60 922</b>	<b>62 176</b>
<b>Operating expenses</b>							
External expenses	-12 057	-14 810	-19 969	-20 684	-18 233	-16 346	-15 804
Personnel costs	-21 521	-19 715	-20 753	-20 454	-23 071	-22 496	-22 836
Depreciation and amortization	-2 361	-2 492	-2 849	-2 995	-2 949	-3 025	-2 900
<b>Total expenses</b>	<b>-35 939</b>	<b>-37 017</b>	<b>-43 571</b>	<b>-44 133</b>	<b>-44 253</b>	<b>-41 867</b>	<b>-41 540</b>
<b>Operating income</b>	<b>29 288</b>	<b>32 070</b>	<b>26 554</b>	<b>26 762</b>	<b>19 258</b>	<b>19 055</b>	<b>20 636</b>
<b>Net financial items</b>	<b>1 766</b>	<b>2 020</b>	<b>2 589</b>	<b>2 073</b>	<b>1 817</b>	<b>1 814</b>	<b>676</b>
Tax on income for the period	-8 576	-8 578	-5 298	-13 594	-6 328	-6 254	-6 388
Minority's part of the income for the period	99	100	-5	-53	-97	-369	-266
<b>Net income for the period</b>	<b>22 577</b>	<b>25 612</b>	<b>23 840</b>	<b>15 188</b>	<b>14 650</b>	<b>14 246</b>	<b>14 658</b>

### Balance Sheet

SEK thousands	Mar 2002	Jun 2002	Sept 2002	Dec 2002	Mar 2003	Jun 2003	Sept 2003
<b>Fixed assets</b>							
Intangible assets	8 921	11 273	14 033	17 120	21 211	24 447	25 814
Tangible assets	16 798	16 906	16 855	19 750	19 021	17 862	16 623
Financial assets	749	1 987	2 225	5 942	4 358	7 055	6 256
<b>Total fixed assets</b>	<b>26 468</b>	<b>30 166</b>	<b>33 113</b>	<b>42 812</b>	<b>44 590</b>	<b>49 364</b>	<b>48 693</b>
<b>Current assets</b>							
Accounts receivable	34 973	33 946	41 904	36 206	29 727	38 024	37 164
Other receivables	10 627	11 065	10 540	12 276	11 507	7 809	9 800
Cash and bank balances and short-term investments	251 758	241 757	254 848	273 822	274 914	219 155	237 558
<b>Total current assets</b>	<b>297 358</b>	<b>286 768</b>	<b>307 292</b>	<b>322 304</b>	<b>316 148</b>	<b>264 988</b>	<b>284 522</b>
<b>TOTAL ASSETS</b>	<b>323 826</b>	<b>316 934</b>	<b>340 405</b>	<b>365 116</b>	<b>360 738</b>	<b>314 352</b>	<b>333 215</b>
Equity	213 674	206 252	230 279	245 143	259 155	217 864	232 047
Minority interest	526	426	431	484	581	950	1 216
Provisions for deferred tax liability	12 415	12 415	12 415	19 573	19 573	19 573	19 573
Current non interest-bearing liabilities	97 211	97 841	97 280	99 916	81 429	75 965	80 379
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>323 826</b>	<b>316 934</b>	<b>340 405</b>	<b>365 116</b>	<b>360 738</b>	<b>314 352</b>	<b>333 215</b>

## Forthcoming financial events

January 27, 2004	Year-end Report 2003
March, 2004	Annual Report 2003
April 16, 2004	Interim Report for January-March 2004
April 21, 2004	Annual General Meeting 2004

Stockholm, October 14, 2003

The Board of Directors

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Definitions can be found at [www.orcsoftware.com](http://www.orcsoftware.com) Investor Relations, Financial Reports.

*This interim report has not been examined by Orc Software's auditors.*

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