



Orc Software AB – Interim report January 1 – June 30, 2004

- **Revenue for January-June 2004 increased by 3 percent to SEK 128 (124) million.**
- **Operating income for January-June 2004 decreased by 34 percent to SEK 25 (38) million, giving an operating margin of 19.1 (30.8) percent. Income after taxes amounted to SEK 19 (29) million.**
- **Revenue for April-June 2004 amounted to SEK 64 (61) million with an operating income of SEK 11 (19) million, giving an operating margin of 17.0 (31.3) percent. Income after taxes amounted to SEK 9 (14) million.**
- **Earnings per share for January-June 2004 amounted to SEK 1.29 (1.95).**

Markets

If the first quarter of 2004 was characterized by certain optimism, the year's second quarter brought a confirmation that participants in the financial markets have now begun to invest in trading technology. The improved market conditions, in conjunction with Orc Software's investments in development and sales, resulted in a significant increase in the number of new clients as well as increased Liquidator revenue during the second quarter. Orc Software believes that this positive market development will continue.

As more and more participants in the financial markets want to trade globally, both the need for and the demands on trading technology is increasing. This favors Orc Software since the decision regarding technology is becoming more strategic and comprehensive. The choice of the right software partner may, in certain cases, completely determine how successfully a bank or trading firm runs its business. The market primarily demands technology that provides global market access, advanced functionality for several asset classes, flexible and automated trading as well as open and scalable technical architecture. Orc Software's broad product portfolio and state-of-the-art products such as Orc Liquidator enable the company to meet these demands. Additionally, requirements regarding the financial strength and long-term sustainability of the software supplier are increasing. All of these factors indicate an improved market position for Orc Software.

The accelerating transition to electronic trading in conjunction with the upswing in the US economy has increased the general demand in the US. In particular, Orc Software's sales are increasing in Chicago.

Orc Software provides technology for advanced market making, trading and brokerage. The Orc technology is used in 20 countries and allows users to access over 80 markets. The company is listed at Stockholmsbörsen and has operations in Chicago, Frankfurt, Hong Kong, London, Milan, Moscow, New York, Stockholm, St Petersburg, Sydney, Tokyo, Toronto, Vienna and Zurich. In 2003, the company's total revenue amounted to SEK 249 million with an operating income of SEK 74 million.

Trading volumes on the Asian markets also improved significantly during the second quarter, particularly on the Tokyo Stock Exchange. This creates good conditions for continued growth.

In Europe there was a clear sign of increased interest in both UK and Holland.

Future outlook

Orc Software sees a clear improvement in the willingness of market participants to invest, which among other things is based on an increase in the number of ongoing client negotiations. For example, the company expects further Liquidator sales during the upcoming quarters. The recurring license revenues at the end of June 2004 were higher on all markets outside of the Nordic region compared to the end of 2003, expressed in local currency. Consequently, Orc Software still looks upon the future with optimism and will continue to invest in growth. Since a large part of Orc Software's revenue model is based on recurring license fees it will take some time before the figures show the full effect of the recovery.

Significant events during the period

Orc Software to launch mobile trading capabilities

Orc Software and TrustLink, who develops and sells mobile business applications, has formed a venture for developing and marketing a mobile news and trading application. Orc Software owns 59 percent and TrustLink owns 41 percent of the venture named Promyzer. Mats Bergström, former Managing Director of TrustLink, has been appointed Managing Director of Promyzer.

The applications will offer superior mobility for investors, professionals as well as private, allowing them to stay in control of market activities by receiving price updates, news and alerts, as well as executing orders in real-time on their smartphones. All of the instruments included in the Orc System are now available for trading. Promyzer will also provide a white-labeled solution for banks and financial intermediaries, for proprietary use as well as for distribution to their customers.

A commercial launch is planned for the second half of 2004 and one client has signed an agreement to offer the application to their customers.

The initiative affected costs by SEK 1.5 million during the second quarter of 2004.

Reuters alliance

The interaction between Orc Software and Reuters is working in a positive spirit, and the sales forces are forming tight working relationships, which has proven to be a successful approach on the European market. During the first half of the year several new customers have signed up with Reuters to use the Orc System, and a number of the new customers have also gone live with the system. Existing customers are positive and several have expanded their installations with more users and by connecting the system to additional markets.

Reuters markets Orc products under the product name, Reuters Order Management for Exchange Execution (ROMEX). The ROMEX offering also includes turnkey connectivity to Reuters own order routing network, Reuters Order Routing (ROR). This combined with Reuters market data offering, Reuters 3000 Xtra, already presents a powerful offering today. The next step is to package ROMEX in a managed solution (Application Service Provider solution). The managed solution means that the customer does not have to install the software locally, invest in new technical infrastructure or personnel. This in turn implies lower running costs for the customer. The managed solution is expected to be available from the beginning of next year.

Orc ExNet

During the period Orc ExNet entered into an agreement with an additional partner, Crédit Agricole Cheuvreux. The agreement provides Orc Software's customers with the ability to trade on the exchanges provided by CAI Cheuvreux's Direct Market Access (DMA). Initially, trading on all major European equity markets will be supported.

As of June 30, 2004, via its cooperation partners, Orc ExNet offered 36 non-membership market connections in Asia, Australia, Europe and North America.

Market connections

As of June 30, 2004, Orc Software had direct market connections to 77 exchanges. During the quarter connections to the following markets were established:

- CATS-OS, Germany
- Eurex US, US
- KSE Cash, South Korea
- KSE ITS, South Korea
- London Stock Exchange SETS DTS, UK

Product development

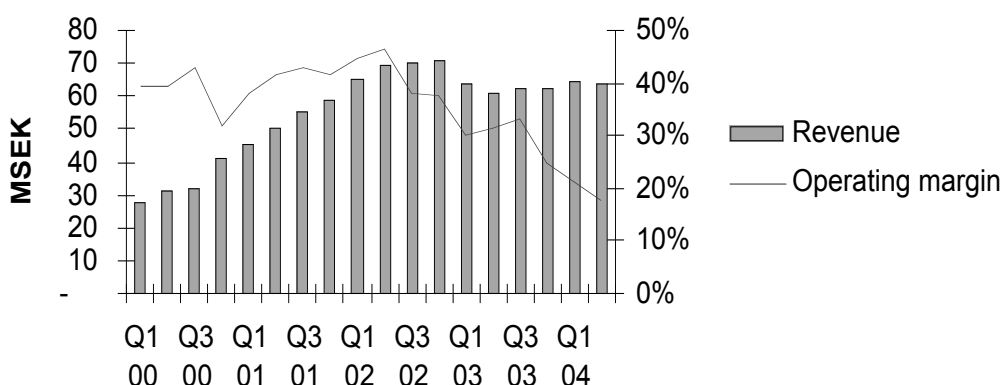
New versions of Orc Trader, Orc Futures and Orc Broker were completed at the end of the second quarter. In particular, Orc Trader and Orc Futures have been further developed with advanced functionality for automated trading. Additional functionality has been added to Orc Broker for order management and Orc Broker has also been further developed to enable a managed solution for Reuters and others.

Share repurchase

During the second quarter Orc Software repurchased 88 300 of its own shares. In total Orc Software has acquired 313 300 Orc shares for SEK 18 million, equivalent to 2.1 percent of the total 14 850 000 shares issued, in accordance with the authorization from the Annual General Meeting in 2003 and 2004. Excluding Orc Software's holding, the number of shares equals 14 536 700.

Revenue¹

Quarterly revenue and operating margin



¹ Revenue and operating margin for 2002-2004 are calculated after taking into account an increase in revenue of SEK 0.6 (9.1) million for January-June 2004 subsequent to the capitalization of development expenditure, in accordance with the Swedish Financial Accounting Standards Council's recommendation no.15 (RR15).

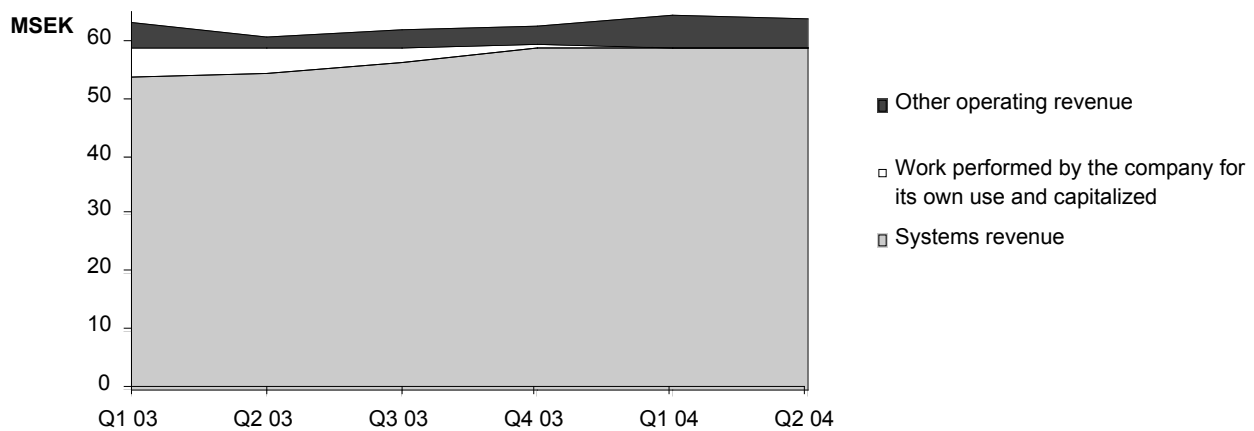
January-June 2004

The Group's revenue increased during January-June 2004 by 3 percent to SEK 128 (124 in the corresponding period 2003) million. Excluding the effect of the capitalization of the product development expenditure, revenue increased by 11 percent. Systems revenue increased by 7 percent and amounted to SEK 117 (109) million, which equaled 91 (87) percent of sales.

Work performed by the company for its own use and capitalized amounted to SEK 0.6 (9.1) million. Since the beginning of 2003 the portion of total revenue related to the capitalization of the product development expenditure has decreased from 7 percent to 0.5 percent.

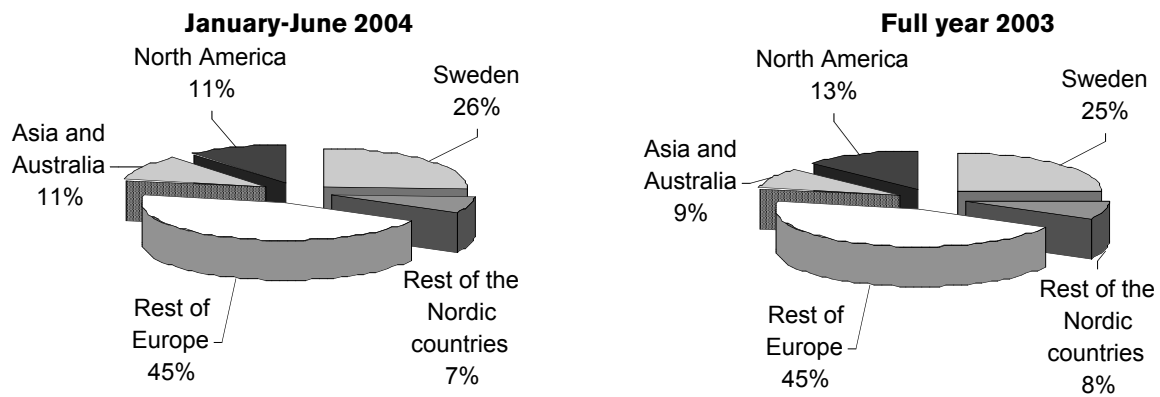
Other operating revenue increased to SEK 10.3 (6.7) million and primarily represents hardware sales as well as consulting revenue.

Revenue per income item



During January-June 2004, revenue from customers located outside Sweden represented 74 (75) percent of total revenue. At the end of June 2004, OrcSoftware had customers in a total of 20 (19) countries.

Revenue per geographic market



The number of client sites² amounted to 161 (169) at the end of June 2004. Average revenue per client site³ amounted during January-June 2004 to SEK 1.5 (1.3) million. In total, 14 new client sites were added during the quarter, which is the highest number ever during one single quarter. The number of lost client sites equaled 7 and are mostly related to sites from the Nordic region. During the second quarter Orc Software received cancellations regarding 2 client sites.

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

³ Calculated as total systems revenue divided by the average number of client sites during the period and expressed as an annualised figure.

April-June 2004

During April-June 2004 the Group's revenue increased by 5 percent to SEK 64 (61) million. Compared to the previous quarter revenue was largely unchanged and systems revenue increased somewhat.

Demand for Orc Liquidator was significant during the quarter resulting in one new sale as well as a one-off complementing sale to an existing Liquidator client. During the period Orc Software also received a partial payment from a client who intends to install the Liquidator technology, but the final agreement is still under negotiation.

Orc ExNet saw an increase in the number of customers during the quarter. However, lower trading volumes resulted in unchanged revenue for Orc ExNet compared to previous quarter.

Earnings

January-June 2004

Operating income decreased during January-June 2004 by 34 percent to SEK 25 (38) million, representing an operating margin of 19.1 (30.8) percent. Operating margin, adjusted for the effect of Promyzer, equaled 20.3 percent.

The effect of foreign exchange fluctuations, calculated as a change in the respective average exchange rates between the first half of 2003 and the first half of 2004, amounted to SEK -1.6 (-6.7) million. Foreign exchange hedging resulted in an effect on operating level of SEK 8.1 (5.3) million.

As of June 30, 2004, future flows equivalent to SEK 45 (127) million had been hedged, consisting of US dollar 4.3 (9) million and Euro 1 (6) million secured against Swedish kronor at an average forward rate of 8.27 (9.99) and 9.40 (9.35) with a total average remaining duration of around 5 (6) months.

At the end of the period non-realized foreign exchange gains amounted to SEK -0.5 (1.5) million, valued at a SEK/USD rate of 7.55 (8.00) and SEK/EUR rate of 9.13 (9.16).

April-June 2004

Operating income decreased during April-June 2004 by 42 percent to SEK 11 (19) million, representing an operating margin of 17.0 (31.3) percent. Operating margin, adjusted for the effect of Promyzer, equaled 19.4 percent. Compared to the previous quarter operating income decreased, the decrease was primarily related to Promyzer.

The Net income from shares in associated companies includes a capital gain of SEK 1.4 million on Group level.

Operating expenses⁴

Operating expenses increased during January-June 2004 by 21 percent to SEK 104 (86) million. Approximately half of the cost increase is related to higher purchase cost of goods sold, increased amortizations of capitalized development expenses, and Promyzer. Compared to the previous quarter operating expenses increased by 4 percent.

⁴ Due to OrcSoftware's working methods, whereby there is a considerable overlap between sales and support work and sales and development work, OrcSoftware reports its results according to the principles for an income statement presented by type of cost.

Personnel costs increased by 20 percent to SEK 55 (46) million. During the same period the average number of employees increased by 10 percent. One of the contributing factors to the increase in personnel costs was the increase in sales commission, which was due to improved sales. In relation to the previous quarter the personnel costs decreased somewhat given that the first quarter was affected by nonrecurring costs. The personnel costs will continue to increase due to further recruitments, primarily in sales.

The purchase cost of goods sold increased significantly compared to the same period the previous year, primarily due to increased hardware sales to new customers. In relation to the previous quarter these costs decreased somewhat.

Cost of premises increased marginally during January-June compared to the same period the previous year and was largely unchanged compared to the previous quarter.

Telecom expenses increased by 20 percent compared to the equivalent period in the previous year and decreased by 7 percent in relation to the previous quarter. The variation is mainly due to one-time costs for development of market connections.

Consulting fees, related to product development, decreased compared to the equivalent period in the previous year. The decrease is related to a decline in the use of external resources for development. Compared with the previous quarter these costs increased somewhat.

Other external expenses increased by 21 percent to SEK 17 (14) million primarily due to increased activity within sales. Travel costs increased by 61 percent and marketing costs by 28 percent. In relation to the previous quarter Other external expenses increased by 35 percent mainly due to an increase in travel and costs related to Promyzer.

Depreciation and amortization increased by 48 percent to SEK 8.9 (6.0) million, a result of the completion of a development project during the third quarter 2003, at which time the amortization was initiated. Depreciation and amortization was largely unchanged compared to the previous quarter.

Capitalized development expenditure

Capitalized development expenditure during January-June 2004 amounted to SEK 0.6 (9.1) million. The decrease is primarily related to one of Orc Software's development projects that is no longer capitalized since it was completed during 2003. Amortization of the accumulated capitalized development expenditure amounted to SEK 4.4 (1.4) million.

Equity/assets ratio and earning capacity

The equity/assets ratio amounted at the end of June 2004 to 66 (69) percent compared with 73 percent at the end of March 2004. During the period January-June 2004 return on capital employed amounted to 24 (37) percent, and return on equity to 17 (25) percent.

Cash flow and investments

The Group's cash flow before changes in working capital and investments equaled SEK 19 (22) million in January-June 2004. The decreased cash flow was primarily a result of a decrease in operating income, which to a certain degree was countered by lower paid income taxes.

The change in working capital amounted to SEK 7 (8) million in January-June 2004 and was primarily due to increased accounts receivable. Operating capital amounted to SEK 17 (-1) million

at the end of June 2004. The increase in operating capital is related to decreased liquid funds, which in turn is due to an increase in working capital commitments and investments.

The Group's investments amounted to SEK 16 (13) million during the first half of the year. As a first step in the initiative to further strengthen Orc Software's state-of-the-art expertise within the area for automated and advanced proprietary trading Orc Software has contributed to the financing of an external project within this area with an amount equaling SEK 10 million, which has been accounted for as a long-term financial receivable. Other investments mainly concern investments in computer and office equipment equaling SEK 5 million.

The Group's cash flow after investments amounted to SEK -4 (1) million in January-June 2004.

The company did not have any interest-bearing liabilities during the period. Liquid funds amounted to SEK 191 (219) million as of June 30, 2004. During the second quarter the company distributed SEK 56 million to shareholders, consisting of dividends equaling SEK 49.7 million and repurchased shares equaling SEK 6.7 million.

Taxation

The tax rate during January-June 2004 amounted to 32 (30) percent. Tax expenses are calculated after estimated tax for parent company and respective subsidiaries. The higher tax rate is due to an unaccounted tax receivable related to a tax loss in a subsidiary.

Employees

At the end of June 2004, Orc Software had 156 (135) employees. The total number of employees increased during the first half of the year by 15, of which 7 during the second quarter of 2004. The increase has primarily taken place within sales and support. The average number of employees during January-June 2004 amounted to 149 (136). The number of women amounted at the end of June 2004 to 25 (24), and the number of men 131 (111).

Shareholders

The number of shareholders in OrcSoftware on June 24, 2004 equaled 2745 (2545 on May 31, 2003).

OrcSoftware's ten largest shareholders	No. of shares	% of shares
OM Technology	4 488 075	30.9
Cancale Förvaltnings AB*	1 533 200	10.5
SEB funds	821 140	5.6
Fidelity funds	695 500	4.8
Robur funds	563 400	3.9
Third Swedish National Pension Fund	474 800	3.3
Nordea Bank Finland	467 631	3.2
Carnegie Fund	460 000	3.2
Nordea funds	352 600	2.4
Svolder	300 000	2.1
Other shareholders	4 380 354	30.1
Total	14 536 700	100.0

Source: VPC AB, direct and nominee shareholders June 24, 2004.

As of June 24, 2004 Orc Software has purchased 313300 shares and the total number of shares, reduced by Orc Software's repurchase of own shares, amounted to 14536700.

*Cancale Förvaltnings AB is jointly owned in equal shares by Ulrika Hagdahl and Nils Nilsson.

Transactions with affiliated companies

Orc Software has during the period purchased development services from E2E infotech Limited, in which Orc Software owns 34 percent, for SEK 1.1 million.

During the quarter Orc Software sold its 49 percent stake in Game Federation Development AB and received an equivalent of 10 percent in Game Federation Svenska AB, in newly issued shares, as payment.

OM Treasury AB is the counterpart of SEK 11 million of Orc Software's hedged foreign exchange positions of SEK 45 million.

The Parent company

The Parent company's revenue⁵ increased during January-June 2004 by 9 percent to SEK 122 (112) million. Income after financial items decreased to SEK 26 (38) million. Liquid funds amounted at the end of the period to SEK 165 (199) million, of which SEK 149 (167) million consisted of short-term investments.

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. As of January 1, 2004, OrcSoftware follows the new recommendation from the Swedish Accounting Standards Council, Remuneration to employees (RR29). According to the recommendation, programs for remuneration following discontinued employment shall either be classified as a defined contribution plan or as a defined benefit plan. Orc Software only has defined contribution plan and shall therefore continue to expense fees for pensions and other commitments. This principle is in total agreement with the financial reports for previous years.

⁵ Most of Orc Software's invoicing is administered by the Parent company. The subsidiaries invoice the Parent company an amount that is based on the subsidiaries' actual costs plus a profit margin mark-up. Revenues in the Parent company's accounting have previously offset these costs. As of the fourth quarter 2003 the Parent company's revenues and costs are accounted for in gross terms. Comparable figures have been adjusted for this change.

Income statement

SEK thousands	Jan-Jun 2004	Jan-Jun 2003	Apr-Jun 2004	Apr-Jun 2003	2003
Operating revenue					
Systems revenue	117 422	108 598	58 848	54 593	223 943
Work performed by the company for its own use and capitalized	617	9 112	269	4 181	11 988
Other operating revenue	10 329	6 723	4 708	2 148	13 178
Total revenue	128 368	124 433	63 825	60 922	249 109
Operating expenses					
Purchase cost of goods sold	-5 739	-3 071	-2 701	-824	-5 742
External expenses					
Cost of premises	-8 774	-8 622	-4 410	-4 322	-17 030
Telecom expenses	-4 322	-3 612	-2 078	-1 695	-7 542
Consulting fees	-3 685	-4 853	-1 961	-2 134	-7 839
Other external expenses	-17 454	-14 421	-10 022	-7 371	-30 165
Personnel costs	-54 985	-45 567	-27 336	-22 496	-93 222
Depreciation and amortization	-8 886	-5 974	-4 465	-3 025	-13 076
Total expenses	-103 845	-86 120	-52 973	-41 867	-174 616
Operating income	24 523	38 313	10 852	19 055	74 493
Financial items					
Income from participation in associated companies	910	-491	1 458	424	-1 379
Financial income	2 529	4 208	1 008	1 495	7 316
Financial expenses	-601	-86	-598	-105	-332
Net financial income	2 838	3 631	1 868	1 814	5 605
Income after financial items	27 361	41 944	12 720	20 869	80 098
Tax on net income for the period	-8 887	-12 582	-4 552	-6 254	-23 717
Minority's part of the income for the period	434	-466	618	-369	-775
Net income for the period	18 908	28 896	8 786	14 246	55 606
Earnings per share ⁶ , SEK	1.29	1.95	0.60	0.97	3.78
Number of shares at the end of the period, reduced by Orc Software's repurchase of own shares, thousands	14 537	14 625	14 537	14 625	14 625
Average number of shares, reduced by Orc Software's repurchase of own shares, thousands	14 603	14 801	14 581	14 754	14 712

⁶ Orc Software does not have any convertible loans or warrants.

Balance sheet

SEK thousands	Jun 30, 2004	Jun 30, 2003	Dec 31, 2003
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenditure	18 058	21 578	21 888
Goodwill	238	334	286
Other intangible fixed assets ⁷	1 793	2 535	2 164
Tangible assets			
Equipment	18 686	17 862	17 530
Financial assets			
Shares in associated companies	1 051	1 585	1 545
Other long-term financial fixed assets	16 065	5 470	5 229
Total fixed assets	55 891	49 364	48 642
Current assets			
Current receivables			
Accounts receivable	48 225	38 024	40 681
Prepaid tax	7 089	-	-
Other receivables	3 279	2 559	6 165
Prepaid expenses and accrued income	7 004	5 250	6 868
Short-term investments	153 142	167 218	216 206
Cash and bank balances	37 931	51 937	35 661
Total current assets	256 670	264 988	305 581
TOTAL ASSETS	312 561	314 352	354 223
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	1 485	1 485	1 485
Restricted reserves	101 752	138 706	101 461
Non-restricted equity			
Non-restricted reserves	84 414	48 777	85 726
Net income for the period	18 908	28 896	55 606
Total shareholders' equity	206 559	217 864	244 278
Minority interest	866	950	1 259
Provisions			
Deferred tax liability	23 768	19 573	23 636
Total provisions	23 768	19 573	23 636
Current liabilities			
Accounts payable	7 034	2 220	5 969
Tax liabilities	-	6 011	1 685
Other liabilities	4 727	2 825	4 596
Accrued expenses and prepaid income	69 607	64 909	72 800
Total current liabilities	81 368	75 965	85 050
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	312 561	314 352	354 223
Pledged assets	None	None	None
Contingent liabilities	None	None	None

⁷ 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.

	SEK thousands
Acquisition value less accumulated amortization January 1, 2004	286
Amortization for the period	-48
Acquisition value less accumulated amortization June 30, 2004	238

Specification of the Group's equity (SEK thousands)

Jan-Jun 2004	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Opening balance January 1, 2004	1 485	101 461	141 332	244 278
Dividend for 2003	-	-	-49 725	-49 725
Share repurchase	-	-	-6 736	-6 736
Sale of associated company	-	-	-500	-500
Adjustments between restricted and non-restricted shareholders' equity	-	243	-243	0
Translation difference etc.	-	48	286	334
Net income for the period	-	-	18 908	18 908
Closing balance June 30, 2004	1 485	101 752	103 322	206 559

Jan-Jun 2003	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Opening balance January 1, 2003	1 485	138 818	104 840	245 143
Dividend for 2002	-	-	-44 550	-44 550
Share repurchase	-	-	-11 117	-11 117
Translation difference etc.	-	-112	-396	-508
Net income for the period	-	-	28 896	28 896
Closing balance June 30, 2003	1 485	138 706	77 673	217 864

Apr-Jun 2004	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Opening balance April 1, 2004	1 485	101 565	152 321	255 371
Dividend for 2003	-	-	-49 725	-49 725
Share repurchase	-	-	-6 736	-6 736
Sale of associated company	-	-	-500	-500
Adjustments between restricted and non-restricted shareholders' equity	-	243	-243	0
Translation difference etc.	-	-56	-581	-637
Net income for the period	-	-	8 786	8 786
Closing balance June 30, 2004	1 485	101 752	103 322	206 559

Apr-Jun 2003	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Opening balance April 1, 2003	1 485	138 737	118 933	259 155
Dividend for 2002	-	-	-44 550	-44 550
Share repurchase	-	-	-11 117	-11 117
Translation difference etc.	-	-31	161	130
Net income for the period	-	-	14 246	14 246
Closing balance June 30, 2003	1 485	138 706	77 673	217 864

Cash flow statement

SEK thousands	Jan-Jun 2004	Jan-Jun 2003	2003
Operating activities			
Operating income	24 523	38 313	74 493
Adjustment for items not included in cash flow			
Depreciation and amortization	8 886	5 974	13 075
Other adjustments for items not included in cash flow	-125	15	376
Financial items	2 994	3 754	7 102
Income tax paid	-17 529	-25 677	-36 404
Cash flow from operating activities before changes in working capital	18 749	22 379	58 642
Changes in working capital			
Changes in accounts receivable	-7 544	-1 818	-4 242
Changes in operating assets	2 331	4 785	-1 157
Changes in accounts payable	1 065	-5 225	-1 479
Changes in operating liabilities	-3 172	-5 311	4 252
Total change in working capital	-7 320	-7 569	-2 626
Cash flow from operating activities	11 429	14 810	56 016
Investment activities			
Investments in intangible fixed assets	-617	-9 112	-11 988
Investments in tangible fixed assets	-5 143	-2 778	-6 125
Changes in financial fixed assets	-9 993	-1 429	-3 421
Cash flow from investment activities	-15 753	-13 319	-21 534
Financing activities			
Share repurchase	-6 736	-11 117	-11 117
Dividend	-49 725	-44 550	-44 550
Cash flow from financing activities	-56 461	-55 667	-55 727
Change in liquid funds	-60 785	-54 176	-21 245
Opening liquid funds	251 867	273 822	273 822
Translation difference/exchange differences in liquid funds	-9	-491	-710
Closing liquid funds	191 073	219 155	251 867

Key ratios

	Jan-Jun 2004	Jan-Jun 2003	Apr-Jun 2004	Apr-Jun 2003	2003
Operating margin, %	19.1	30.8	17.0	31.3	29.9
Return on equity, %	17	25	15	24	23
Return on capital employed, %	24	37	20	34	33
Asset turnover ratio	1.1	1.1	1.1	1.0	1.0
Equity/assets ratio, %	66	69	66	69	69
Average number of employees	149	136	153	135	137
Earnings per share, SEK	1.29	1.95	0.60	0.97	3.78
Equity per share, SEK	14.21	14.90	14.21	14.90	16.70
Share price at the end of the period, SEK	67.50	50.50	67.50	50.50	84.50
Number of shares at the end of the period, reduced by Orc Software's repurchase of own shares, thousands	14 537	14 625	14 537	14 625	14 625

Geographical segments

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

The local operations mainly consist of sales and support efforts and in certain cases development. Functions such as Group management, legal, human resources, accounting and administration, marketing, development, etc. are located centrally and are considered joint Group resources. This means that a great part of the Group's expenses cannot be attributed to a specific geographical area in a reliable way and they therefore remain unallocated.

Group Jan-Jun 2004

SEK thousands	Europe	North America	Asia/Australia	Other	Total
Operating revenue for external clients	98 925	14 162	14 664	-	127 751
Work performed by the company for its own use and capitalized	-	-	-	617	617
Total	98 925	14 162	14 664	617	128 368
Income per segment before joint Group expenses	73 036	8 072	3 556	617	85 282
Unallocated costs	-	-	-	-60 759	-60 759
Operating income	-	-	-	-	24 523
Net financial income	-	-	-	2 838	2 838
Income after financial items	-	-	-	-	27 361
Tax on net income for the period	-	-	-	-8 887	-8 887
Minority's part of the income	-	-	-	434	434
Net income for the period	-	-	-	-	18 908

Group Jan-Jun 2003

SEK thousands	Europe	North America	Asia/Australia	Other	Total
Operating revenue for external clients	92 961	12 017	10 343	-	115 321
Work performed by the company for its own use and capitalized	-	-	-	9 112	9 112
Total	92 961	12 017	10 343	9 112	124 433
Income per segment before joint Group expenses	71 096	6 835	1 933	9 112	88 976
Unallocated costs	-	-	-	-50 663	-50 663
Operating income	-	-	-	-	38 313
Net financial income	-	-	-	3 631	3 631
Income after financial items	-	-	-	-	41 944
Tax on net income for the period	-	-	-	-12 582	-12 582
Minority's part of the income	-	-	-	-466	-466
Net income for the period	-	-	-	-	28 896

Group Apr-Jun 2004

SEK thousands	Europe	North America	Asia/ Australia	Other	Total
Operating revenue for external clients	51 119	4 513	7 924	-	63 556
Work performed by the company for its own use and capitalized	-	-	-	269	269
Total	51 119	4 513	7 924	269	63 825
Income per segment before joint Group expenses	40 131	984	2 500	269	43 884
Unallocated costs	-	-	-	-33 032	-33 032
Operating income	-	-	-	-	10 852
Net financial income	-	-	-	1 868	1 868
Income after financial items	-	-	-	-	12 720
Tax on net income for the period	-	-	-	-4 552	-4 552
Minority's part of the income	-	-	-	618	618
Net income for the period	-	-	-	-	8 786

Group Apr-Jun 2003

SEK thousands	Europe	North America	Asia/ Australia	Other	Total
Operating revenue for external clients	45 805	5 939	4 997	-	56 741
Work performed by the company for its own use and capitalized	-	-	-	4 181	4 181
Total	45 805	5 939	4 997	4 181	60 922
Income per segment before joint Group expenses	34 564	3 403	305	4 181	42 453
Unallocated costs	-	-	-	-23 398	-23 398
Operating income	-	-	-	-	19 055
Net financial income	-	-	-	1 814	1 814
Income after financial items	-	-	-	-	20 869
Tax on net income for the period	-	-	-	-6 254	-6 254
Minority's part of the income	-	-	-	-369	-369
Net income for the period	-	-	-	-	14 246

Quarterly figures

Income statement

SEK thousands	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004
Operating revenue						
Systems revenue	54 005	54 593	56 457	58 888	58 574	58 848
Work performed by the company for its own use and capitalized	4 931	4 181	2 336	540	348	269
Other operating revenue	4 575	2 148	3 383	3 071	5 621	4 708
Total revenue	63 511	60 922	62 176	62 499	64 543	63 825
Operating expenses						
Other expenses	-18 233	-16 346	-15 804	-17 935	-18 803	-21 172
Personnel costs	-23 071	-22 496	-22 836	-24 819	-27 648	-27 336
Depreciation and amortization	-2 949	-3 025	-2 900	-4 201	-4 421	-4 465
Total expenses	-44 253	-41 867	-41 540	-46 955	-50 872	-52 973
Operating income	19 258	19 055	20 636	15 544	13 671	10 852
Net financial items	1 817	1 814	676	1 298	970	1 868
Tax on income for the period	-6 328	-6 254	-6 388	-4 747	-4 335	-4 552
Minority's part of the income for the period	-97	-369	-266	-43	-184	618
Net income for the period	14 650	14 246	14 658	12 052	10 122	8 786

Balance Sheet

SEK thousands	31 Mar 2003	30 Jun 2003	30 Sept 2003	31 Dec 2003	31 Mar 2004	30 Jun 2004
Fixed assets						
Intangible assets	21 211	24 447	25 814	24 338	22 280	20 089
Tangible assets	19 021	17 862	16 623	17 530	19 552	18 686
Financial assets	4 358	7 055	6 256	6 774	6 850	17 116
Total fixed assets	44 590	49 364	48 693	48 642	48 682	55 891
Current assets						
Accounts receivable	29 727	38 024	37 164	40 681	31 353	48 225
Other receivables	11 507	7 809	9 800	13 033	15 362	17 372
Cash and bank balances and short-term investments	274 914	219 155	237 558	251 867	256 433	191 073
Total current assets	316 148	264 988	284 522	305 581	303 148	256 670
TOTAL ASSETS	360 738	314 352	333 215	354 223	351 830	312 561
Equity	259 155	217 864	232 047	244 278	255 371	206 559
Minority interest	581	950	1 216	1 259	1 443	866
Provisions for deferred tax liability	19 573	19 573	19 573	23 636	23 636	23 768
Current non interest-bearing liabilities	81 429	75 965	80 379	85 050	71 380	81 368
TOTAL EQUITY AND LIABILITIES	360 738	314 352	333 215	354 223	351 830	312 561

Forthcoming financial events

October 14, 2004 Interim Report for January-September

Stockholm, July 13, 2004

The 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 13, 2004

Ernst & Young AB

*Björn Fernström
Authorized Public Accountant*

Presentation of the interim report for January-June 2004

A telephone conference will be held on July 13, 2004 at 3 p.m. (CET). For more information visit www.orcsoftware.com, Company, Investor Relations, Calendar.

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Definitions can be found at www.orcsoftware.com, Company, Investor Relations, Interim Reports.

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