



## Orc Software AB – Interim report January 1 – March 31, 2005

- **Revenue for January-March 2005 increased by 2 percent compared to the equivalent period in the previous year and amounted to SEK 66 (65) million.**
- **Operating income for January-March 2005 decreased by 43 percent to SEK 8 (14) million, giving an operating margin of 11.7 (21.2) percent.**
- **According to the accounting principles applicable prior to the adoption of IFRS, revenue for January to March 2005 would have amounted to SEK 62 million and operating income to SEK 5 million.**
- **Income after taxes amounted to SEK 6 (10) million.**
- **Earnings per share amounted to SEK 0.40 (0.69).**

### Future outlook

Orc Software is seeing a continuation of significant business activity overall. The interest for Orc Software's products continues to grow, especially within the area for automated trading and thus for the product Orc Liquidator.

The fact that the revenue model for Orc Liquidator is getting more similar to the traditional revenue model means that new sales of Orc Liquidator will not have the same initial effect as in previous quarters.

On a positive note the recurring license revenues continues to increase, now also expressed in Swedish kronor, as the US dollar has stabilized.

Despite a reduction in expenses for the first quarter in comparison to the previous quarter, the result is still not satisfactory. Therefore, in order to increase profitability, work has begun to make the organization more efficient. An increased focus on the core business will lead to a better product and service offering, as well as strengthen competitiveness.

## Markets

Orc Software sees a continued interest in automated trading on several markets. In addition to Orc Software's traditional client base of traders and market makers, hedge funds are also becoming increasingly more interested in automated trading and the business opportunities that it creates. Interest is growing among participants primarily in the world's larger financial centres such as London and New York.

During the period an Italian customer signed a new contract for Orc Liquidator, which will have financial impact as of the second quarter 2005.

The Nordic market is showing some growth, especially from current brokerage clients who wish to provide their customers with direct market access.

In Europe the alliance with Reuters has continued to develop well. Especially the close collaboration between Reuters and Orc Software's local organizations in Germany has produced positive results in the form of a number of new contracts during the quarter. In addition, Orc Software has also noticed an increased interest from participants in Eastern Europe.

There is great demand for trading on the Asian markets, both from local and foreign participants. A number of international participants have also established themselves in the region which indicates a long-term interest in the Asian markets. Orc Software offers market access to the majority of the electronic exchanges in the region and therefore the increased interest for trading securities in Asia is advantageous for Orc Software. An increase in volatility on the Australian exchanges resulted in an overall increased activity.

All larger derivatives exchanges in North America have now announced that they will move from floor trading to electronic trading. A contributing factor is the capital market's great interest in the two publicly listed exchanges: Chicago Mercantile Exchange and International Securities Exchange. Both exchanges were early in implementing electronic trading, which has contributed to the great interest in these exchanges' own shares. Many of the other North American exchanges also have plans to convert from member ownership to publicly listed companies. The exchanges would also like to increase the pace regarding the transition to electronic trading and are now, at a rapid rate, introducing electronic trading in instruments that were previously only traded on the floor. For Orc Software it is especially advantageous that more advanced instruments are now starting to be traded electronically.

## Significant events during the period

### **Reuters alliance**

The local collaboration between Reuters and Orc Software has strengthened in several European markets, which has resulted in positive effects. During the quarter Reuters signed several contracts for ROMEX (Reuters Order Management for Exchange Execution) mostly in Germany, Switzerland and Spain. Several already existing ROMEX clients have chosen to expand their installations with more market connections and licenses, and they have also chosen to connect to Orc ExNet and ROR (Reuters Order Routing). The total number of ROMEX clients in operation amounts to 16.

### **Orc ExNet**

Orc Software continues to add additional partners to the trading network Orc ExNet. Orc Software's clients are now also able to trade through the following brokers: Banca Akros (Italy), Fimat International Banque (Germany), FIM Securities (Finland), Fischer Partners (Sweden), Hagströmer & Qviberg (Sweden) and Instinet (UK). In total, Orc Software now works together with more than 15 brokerage firms, which provides the clients with several alternatives for trading in Asia, Australia, Europe and North America without exchange membership.

### **Market connections**

As of March 31, 2005, Orc Software had 89 direct market connections to exchanges. During the period connections to the following markets were established:

- Riga Stock Exchange, Latvia
- Tallinn Stock Exchange, Estonia
- Moscow Interbank Currency Exchange, Russia

As of March 31, 2005 the possibility to trade without membership was offered globally on 47 market places via the Orc ExNet service.

### **Share repurchase**

During the first quarter Orc Software did not repurchase any Orc shares. In total Orc Software has acquired 513 500 Orc shares for SEK 30 million, in accordance with the authorization from the Annual General Meetings in 2003 and 2004. Repurchased shares equal 3.5 percent of the total number of outstanding shares of 14 850 000. Excluding Orc Software's holding, the number of shares equals 14 336 500.

During the first quarter, Orc Software's Board of Directors also decided to propose that the Annual General Meeting 2005 grant the Board of Directors authorization to acquire and sell Orc Software's own shares. The purpose of the authorization to repurchase shares is as before to provide the Board with the opportunity to create additional value for the company's shareholders, during the period until the next Annual General Meeting, by adjusting the capital structure of the Group.

### **Product development**

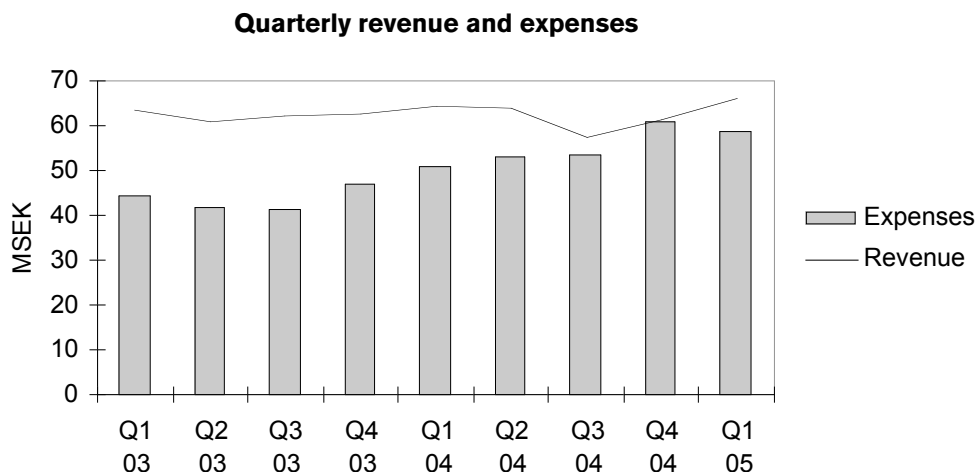
The work to refine and improve the Orc System continues and during the first quarter a new version of the system was completed. The new version primarily offers improvements of Orc Liquidator and Orc Trader.

Orc Liquidator has been provided with a new and powerful user interface and has also been performance optimized for even more efficient execution of trading strategies. Furthermore, the product has received more complete market functionality, for example, general support for order depth and updating of orders.

Functionality for even quicker and easier order modification has been implemented in Orc Trader. Furthermore, the possibility to define trading modes for easy applicability of different parameters has been introduced, facilitating automated trading and quoting.

Three new market connections were completed during the quarter. In addition, performance was further improved on several of the most important connections.

## Revenue



The Group's revenue increased during January-March 2005 by 2 percent to SEK 66 (65 in the corresponding period 2004) million. According to the accounting principles applicable prior to the adoption of IFRS, revenue for January to March 2005 amounted to SEK 62 million.

Systems revenue decreased by 5 percent to SEK 56 (59) million and amounted to 85 (91) percent of total revenue. Compared to the previous quarter systems revenue increased by 2 percent. Initial revenue for one Orc Liquidator sale was recognized as revenue for the period. The agreement for this sale was signed in the end of 2004. During the quarter an agreement for one new Liquidator sale was signed, the financial effect will be realized as of the second quarter of 2005.

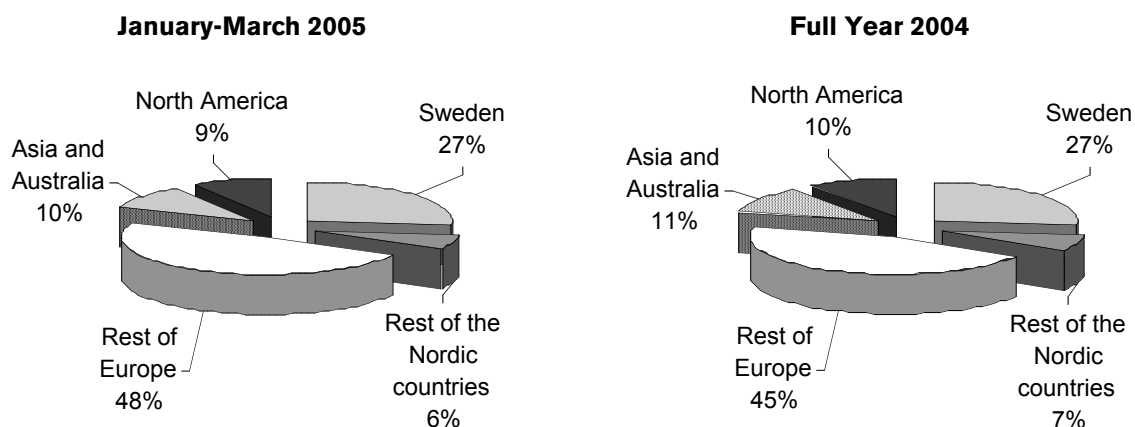
Thus far the revenue model for Orc Liquidator has had an initial payment that varies depending on the scope of the installation, area of application and the size of the recurring license fee. As the product becomes more established the revenue model for Orc Liquidator is becoming more similar to the traditional revenue model, which means that the average initial payment decreases while the recurring license fee increases. With time the revenue model will be complemented with an offering of professional services.

Other operating revenue increased by SEK 4.2 million to SEK 9.8 (5.6) million. In relation to the previous quarter Other operating revenue increased by SEK 3.4 million. The increase is related to positive foreign exchange differences, resulting from the new accounting principles at the adoption of IFRS. Furthermore, these revenues include hardware sales as well as professional services.

Revenue from Orc ExNet was largely unchanged compared to the previous quarter.

During the quarter Orc Software sold the Orc System to a client in Russia for the first time, which means that Orc Software at the end of March 2005 had clients in a total of 21 (19) countries.

## Revenue per geographic market



At the end of March 2005 the number of client sites amounted to 188<sup>1</sup>, of which 172 (154) consisted of Orc Software's client sites and 16 were client sites through the Reuters alliance. Average revenue per client site<sup>2</sup> during January-March 2005 amounted to SEK 1.3 (1.5) million. Of Orc Software's client sites, 10 new client sites were added during the period in Russia, UK, Sweden, Chicago, Hong Kong and Japan. The number of lost client sites equaled 7 and is mostly related to New York, Hong Kong and UK. During the first quarter Orc Software received cancellations regarding 6 client sites, which will have a financial impact during the following quarters.

### Earnings

Operating income for the first quarter decreased by 44 percent to SEK 7.7 (13.7) million. Compared to the previous quarter operating income increased by SEK 6.9 million. The increased income was mainly due to effects from the adoption of IFRS and decreases in Other external expenses. Operating margin during January-March 2005 amounted to 11.7 (21.2) percent, which can be compared to an operating margin of 1.3 percent for the previous quarter.

Foreign exchange hedging resulted in an effect on operating level of SEK -1.8 (4.1) million.<sup>3</sup>

As of March 31, 2005 future flows equivalent to SEK 38 (80) million had been hedged, consisting of US dollar 3.0 (6.0) and Euro 2.0 (3.0) million secured against Swedish kronor at an average forward rate of 6.75 (8.71) USD/SEK and SEK 9.07 (9.37) EUR/SEK with a total average remaining duration of 3 (7) months.

### Operating expenses<sup>4</sup>

Operating expenses increased during January-March 2005 by 14 percent to SEK 58 (51) million. In comparison to the previous quarter Operating expenses decreased by 4 percent. The effects of the adoption of IFRS have resulted in negative foreign exchange differences, which increased the expenses by SEK 1.9 million. According to the accounting principles applicable prior to the adoption of IFRS, the expenses have decreased by 7 percent compared to the previous quarter.

<sup>1</sup> The number of client sites includes the sites that at the end of the accounting period paid a license fee. As of 2005 the client sites for ROMEX clients are also included.

<sup>2</sup> Calculated as the total systems revenue divided by the average number of client sites for the period.

<sup>3</sup> The valuation is based on the exchange rates at the end of the accounting period: USD/SEK 7.06 and EUR/SEK 9.14.

<sup>4</sup> 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 14 percent to SEK 32 (28) million. During the same period the average number of employees increased by 19 percent. In relation to the previous quarter personnel costs decreased by 2 percent.

The purchase cost of goods sold increased by SEK 1.9 million and amounted to SEK 4.9 (3.0) million, primarily due to increased hardware sales and a larger portion of purchased consulting services. In relation to the previous quarter these costs increased by SEK 1.6 million.

Cost of premises decreased to SEK 4.1 (4.4) million. These costs decreased marginally in relation to the previous quarter.

Telecom expenses increased by 14 percent compared to the equivalent period in the previous year and amounted to SEK 2.5 (2.2) million. The cost in comparison to the previous quarter was largely unchanged.

Consulting fees, related to external product development, decreased by 29 percent to SEK 1.2 (1.7) million. Compared with the previous quarter these costs decreased by 36 percent.

Other external expenses increased by 34 percent to SEK 9.9 (7.4) million. In relation to the previous quarter Other external expenses decreased by 18 percent. Without the effects of the adoption of IFRS these expenses decreased by 33 percent in comparison to the previous quarter. The decrease is explained by a decrease in the use of external consultants (not related to product development) and decreased bad debt losses.

Depreciation and amortization decreased somewhat and amounted to SEK 4.2 (4.4) million. Also in comparison to the fourth quarter 2004, depreciation and amortization decreased somewhat.

### **Capitalized development expenditure**

Capitalized development expenditure during January-March 2005 amounted to SEK - (0.3) million. Capitalized development expenditure decreased since the development of new market connections is no longer considered to meet the requirements for capitalization. Amortization of the accumulated capitalized development expenditure amounted to SEK 2.2 (2.2) million.

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

The equity/assets ratio at the end of March 2005 amounted to 64 (73) percent. Return on capital employed decreased to 20 (24) percent and return on equity to 12 (16) percent.

### **Cash flow and investments**

The Group's cash flow before changes in working capital and investments during January-March 2005 equaled SEK 7.3 (10.8) million. The decreased cash flow was primarily a result of a lower operating income, which to a certain degree was countered by lower income taxes paid.

The change in working capital amounted to SEK 6.4 (1.9) million and primarily consisted of decreased operating liabilities. Operating capital amounted to SEK -3.2 (0.4) million at the end of March 2005.

The Group's investments amounted to SEK 3.0 (4.9) million during the period and mainly concern investments in computer and office equipment equaling SEK 1.9 million.

The Group's cash flow after investments amounted to SEK -2.1 (4.1) million.

The company did not have any interest-bearing liabilities during the period. Liquid funds amounted to SEK 186 (256) million as of March 31, 2005.

## **Taxes**

The tax rate for the period amounted to 34 (30) percent. Tax expenses are calculated based on the expected tax for the parent company and each subsidiary. The higher tax rate is due to an unaccounted tax receivable, related to a loss carried forward in a subsidiary.

## **Employees**

At the end of March 2005 Orc Software had 173 (149) employees. During the first quarter the number of employees increased by 1. The average number of employees during January-March amounted to 172 (145). The number of female employees at the end of March equaled 33 (26) and the number of male employees equaled 140 (123).

## **Pension plan**

So far Orc Software's employees in Sweden have had the opportunity for pension savings via gross salary deduction. The company will as of July 1, 2005 replace this model with a traditional pension plan for all employees in Sweden over 27 years of age, except for the CEO. The plan is scheduled for a phased implementation during a three-year period and as of the third quarter will result in a minor cost increase.

## **Transactions with affiliated companies**

Orc Software has during January-March 2005 purchased development services from E2E infotech Limited, in which Orc Software owns 34 percent, for SEK 2.5 million.

Orc Software's subsidiary Promyzer leases a server room from OMX Technology AB. During the period the costs amounted to SEK 89 thousand.

Cancale Förvaltning is part owner of Russian Real Estate Investment Company AB, which in turn owns the building where Orc Software's office in St Petersburg is located since December 2004. Cancale Förvaltning is owned by Nils Nilsson and Ulrika Hagdahl who are Board members of Orc Software. Nils Nilsson is also the chairman of the Board of Russian Real Estate Investment Company AB. The annual cost for the lease agreement amounts to SEK 830 thousand.

## **The Parent company**

The Parent company's revenue increased by 5 percent to SEK 63 (60) million. Income after financial items amounted to SEK 18 (14) million. Liquid funds amounted at the end of the period to SEK 171 (230) million, of which SEK 144 (212) million consisted of short-term investments.

## **Accounting principles**

This interim report is prepared in accordance with IAS 34, Interim Financial Reporting, which is in accordance with the requirements stipulated by the Swedish Financial Accounting Standards Council recommendation RR31, Interim Financial Reporting for Groups. In comparison to the last annual report the accounting principles have been changed due to the adoption of IFRS. The effects of the adoption of IFRS and the new principles applicable are described below and are

referred to in the notes to the income statement, balance sheet, equity and cash flow analysis. All other accounting principles are in accordance with the principles used in the annual report for 2004.

The principles have been applicable as of January 1, 2005 and the comparable year 2004 has been recalculated. The adoption rules are available in IFRS 1, First-time Adoption of International Financial Reporting Standards, which states that all standards shall be applied retrospectively. However, a number of mandatory as well as voluntary exceptions from the main rule are stated. Orc Software uses the voluntary exceptions that are applicable to the Group.

The most significant effects of the adoption for Orc Software concern accounting for minority interests and financial instruments. Financial instruments are dealt with in IAS 39, which is applicable from 2005. In accordance with the adoption rules no recalculation has been made regarding financial instruments for 2004.

## Adoption of IFRS 2005

Below is a summary of the effects on Net income and the Group's equity, changes in the accounting principles as well as comments on these changes. The effects reported are preliminary and based on the current standards, which may be changed up until December 31, 2005.

### Net income effects

<b>Net income effect for Jan-March 2004, SEK thousands</b>	<b>Note</b>	
Net income for Jan-Mar 2004 according to previous principles		10 122
Adjusted for the minority's part of the income for the period	A	184
Reversal of goodwill amortization	B	24
Net income for Jan-Mar 2004 according to IFRS		10 330
Earnings per share for Jan-March 2004 according to previous principles, SEK		0.69
Earnings per share for Jan-Mar 2004 according to IFRS, SEK	A	0.69

<b>Net income effect for the full year 2004, SEK thousands</b>	<b>Note</b>	
Net income for 2004 according to previous principles		23 254
Adjusted for the minority's part of the income for the year	A	-2 067
Reversal of goodwill amortization	B	96
Net income for 2004 according to IFRS		21 283
Earnings per share for 2004 according to previous principles, SEK		1.60
Earnings per share for 2004 according to IFRS, SEK	A	1.61

### Effects on shareholders' equity

<b>Effect on shareholders' equity January 1, 2004, SEK thousands</b>	<b>Note</b>	
Shareholders' equity December 31, 2003 according to previous principles		244 278
Adjusted for minority interests	A	1 259
Shareholders' equity January 1, 2004 according to IFRS		245 537

<b>Effect on shareholders' equity March 31, 2004, SEK thousands</b>	<b>Note</b>	
Shareholders' equity March 31, 2004 according to previous principles		255 371
Adjusted for minority interests	A	1 443
Reversal of goodwill amortization	B	24
Shareholders' equity March 31, 2004 according to IFRS		256 838

<b>Effect on shareholders' equity December 31, 2004 and January 1, 2005, SEK thousands</b>	<b>Note</b>	
Shareholders' equity December 31, 2004 according to previous principles		197 635
Adjusted for minority interests <sup>5</sup>	A	1 461
Reversal of goodwill amortization	B	96
Shareholders' equity December 31, 2004 according to IFRS		199 192
Effect due to the adoption of IAS 39 January 1, 2005	C3	-2 184
Shareholders' equity January 1, 2005 according to IFRS		197 008

## Notes

### A The minority's part

According to IAS 27, Consolidated and Separate Financial Statement, the minority's part of the income for the period shall be included in the net income. The portion of net income for the period related to the minority interest shall be stated in connection with the income statement. The calculation of earnings per share shall also continue to take into account the minority's part of the income. The minority's share of equity constitutes a part of the Group's reported equity but shall be reported separately within equity. The period's net income attributable to the minority amounts to SEK 184 thousand for January to March 2004 and SEK -2 067 thousand for the full year 2004. The effect on equity for the full year 2004, however, is only SEK 202 thousand; the difference is due to additional subsidiaries in which there are minority interests.

### B Amortization of goodwill

In accordance with IFRS 3 Business Combinations, goodwill amortization shall not take place. Instead the stated value shall be tested each year, or more often if circumstances exist that indicate a decrease in value. The goodwill entry is entirely due to Orc ExNet. The amortization for January to March 2004 of SEK 24 thousand and SEK 96 thousand for the full year 2004 have been reentered. No write-downs were necessary.

### C Financial instruments

IAS 39 Financial Instruments: Recognition and Measurement, requires that financial assets and liabilities are classified in different categories in order to be accounted for and valued in accordance with the applicable principle for each category.

The majority of Orc Software's financial assets and liabilities are classified in the category that shall be valued at amortized cost. The character of these assets and liabilities is such that the difference between the amortized cost and the acquisition value is zero. Therefore, the adoption of IFRS does not bring any change to previous principles regarding these assets.

### C1 Available-for-sale investments

Long-term shareholdings that do not consist of holdings in subsidiaries or associated companies have been classified as Available-for-sale investments and are valued at fair value.

<sup>5</sup> The annual report for 2004 states SEK -808 thousand, the correct amount should be SEK 1 461 thousand.

These assets were previously reported under the heading Other long-term financial fixed assets. A valuation of the fair value for the shareholding in Game Federation Svenska has resulted in a downward adjustment of the value by SEK 140 thousand as of March 31, 2005. This has been reported as Non-restricted equity, Net unrealized gains reserve, in accordance with IAS 39 and FAR's recommendation.

### **C2 Short-term investments – held to maturity investments**

Orc Software's short-term investments are classified in the category Held to maturity investments and are valued at amortized cost. This results in a transfer of the accrued interest from the entry Prepaid expenses and accrued income to the entry Short-term investments on the balance sheet. As of March 1, 2005 the accrued interest amounted to SEK 763 thousand.

### **C3 Foreign exchange forwards and embedded derivatives – derivatives assets and derivatives liabilities**

According to IFRS all foreign exchange forwards shall be accounted for at fair value; the change in value shall be accounted for directly in the income statement. This differs from previous accounting standards in which only the portion of the income from foreign exchange hedging equivalent to a holding in the balance sheet affects the income statement. For the period January to March 2005, SEK 1.8 million has been accounted for as Other external expenses for the fair value of foreign exchange forward holdings.

Customer and supplier contracts entered into in a third party currency contain embedded derivatives according to IAS 39. Orc Software has a number of customer and supplier contracts in third party currencies and the calculation of the value of these embedded derivatives for the period January to March 2005 resulted in a positive effect on income of SEK 2.6 million accounted for as Other operating revenues.

As of January 1, 2005 foreign exchange gains and losses will be reported separately on the income statement if these transactions are not of similar character. This means the income effect of foreign exchange forwards is not reported on a net basis against other foreign exchange gains and losses that arise in the current accounting.

In accordance with the adoption rules, comparable figures have not been adjusted and the adoption of the accounting principles IAS 39 and IAS 32 have both come into effect as of January 1, 2005. This means that the effect of the change in accounting principles has been accounted for as an adjustment in the opening balance of equity in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The following adjustments have been made:

<b>Effect on shareholders' equity January 1, 2005 according to IAS 39, SEK thousands</b>	
Embedded derivatives customer contracts	-2 282
Embedded derivatives supplier contracts	23
Foreign exchange forward contracts at fair value	75
Effect on shareholders' equity January 1, 2005 according to IFRS	-2 184

The fair value of the foreign exchange forward contracts are gross accounted on the balance sheet as a derivatives asset or derivatives liability, i.e. they have not been accounted for together with underlying receivables or liabilities as previously. The same approach applies to embedded derivatives for customer and supplier contracts. The derivatives assets are accounted for under the entry Other receivables and amounted to SEK 0 million as of March 31, 2005, derivatives liabilities were accounted for as Other liabilities and amounted to SEK 2.6 million as of March 31, 2005.

**D Cash flow**

The Group's cash flow calculation and format has not been changed in conjunction with the adoption of IFRS.

## Income statement

SEK thousands	IFRS note	Jan-Mar 2005	Jan-Mar 2004	2004
<b>Operating revenue</b>				
Systems revenue		56 395	58 574	225 703
Work performed by the company for its own use and capitalized		-	348	884
Other operating revenue	C3	9 823	5 621	20 902
<b>Total revenue</b>		<b>66 218</b>	<b>64 543</b>	<b>247 489</b>
<b>Operating expenses</b>				
Purchase cost of goods sold		-4 912	-3 039	-12 193
External expenses				
Cost of premises		-4 077	-4 364	-17 492
Telecom expenses		-2 519	-2 244	-9 357
Consulting fees		-1 156	-1 724	-7 592
Other external expenses	C3	-9 901	-7 432	-38 106
Personnel costs		-31 698	-27 648	-115 477
Depreciation and amortization	B	-4 228	-4 397	-17 702
<b>Total expenses</b>		<b>-58 491</b>	<b>-50 848</b>	<b>-217 919</b>
<b>Operating income</b>		<b>7 727</b>	<b>13 695</b>	<b>29 570</b>
<b>Financial items</b>				
Income from participation in associated companies		123	-548	1 043
Financial income		2 363	1 521	4 674
Financial expenses		-1 391	-3	-2 919
<b>Net financial income</b>		<b>1 095</b>	<b>970</b>	<b>2 798</b>
<b>Income after financial items</b>		<b>8 822</b>	<b>14 665</b>	<b>32 368</b>
Tax on net income for the period		-2 964	-4 335	-11 085
<b>Net income for the period</b>	A	<b>5 858</b>	<b>10 330</b>	<b>21 283</b>
Net income for the period attributable to the minority interest	A	71	184	-2 067
Net income for the period attributable to the Parent company's shareholders		5 787	10 146	23 350
Earnings per share <sup>6</sup> , SEK	A	0.40	0.69	1.61
Number of outstanding shares at the end of the period reduced by Orc Software's repurchase of its own shares, thousands		14 337	14 625	14 337
Average number of outstanding shares reduced by Orc Software's repurchase of own shares, thousands		14 337	14 625	14 541

<sup>6</sup> Orc Software does not have any outstanding convertible loans or warrants and thereby no dilution effects.

## Balance sheet

SEK thousands	IFRS note	31 Mar 2005	31 Mar 2004	31 Dec 2004
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible assets				
Capitalized development expenditure		11 632	20 039	13 788
Goodwill	B	286	286	286
Other intangible fixed assets <sup>7</sup>		1 237	1 979	1 422
Tangible assets				
Equipment		17 890	19 552	17 702
Financial assets				
Shares in associated companies		1 254	1 497	1 131
Available-for-sale investments	C1	2 906	2 246	2 806
Other long-term financial fixed assets	C1	22 647	3 107	21 577
Deferred tax receivable		1 607	-	-
<b>Total fixed assets</b>		<b>59 459</b>	<b>48 706</b>	<b>58 712</b>
<b>Current assets</b>				
Current receivables				
Accounts receivable		41 741	31 353	43 090
Prepaid tax		19 143	3 364	12 089
Other receivables	C3	3 142	3 206	4 254
Prepaid expenses and accrued income	C2	8 982	8 792	8 164
Short-term investments	C2	149 409	211 620	137 255
Cash and bank balances		36 127	44 813	48 911
<b>Total current assets</b>		<b>258 544</b>	<b>303 148</b>	<b>253 763</b>
<b>TOTAL ASSETS</b>		<b>318 003</b>	<b>351 854</b>	<b>312 475</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Equity attributable to equity holders of the Parent company				
Restricted equity				
Share capital		1 485	1 485	1 485
Restricted reserves		107 886	101 565	107 798
Non-restricted equity				
Non-restricted reserves		92 796	152 345	88 448
Net unrealized gains reserve	C1	-140	-	-
Equity attributable to the minority interest	A	1 532	1 443	1 461
<b>Total shareholders' equity</b>		<b>203 559</b>	<b>256 838</b>	<b>199 192</b>
<b>Provisions</b>				
Deferred tax liability		25 335	23 636	25 333
<b>Total provisions</b>		<b>25 335</b>	<b>23 636</b>	<b>25 333</b>
<b>Current liabilities</b>				
Accounts payable		7 749	3 771	7 161
Tax liabilities		7 538	-	1 598
Other liabilities	C3	7 513	3 564	8 148
Accrued expenses and prepaid income		66 309	64 045	71 043
<b>Total current liabilities</b>		<b>89 109</b>	<b>71 380</b>	<b>87 950</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>318 003</b>	<b>351 854</b>	<b>312 475</b>
Pledged assets		None	None	None
Contingent liabilities		None	None	None

<sup>7</sup> This item pertains to Orc ExNet.

## Specification of the Group's goodwill

Goodwill arose in conjunction with the establishment of Orc ExNet. In accordance with IFRS there are no amortizations of goodwill. Instead the accounted value shall be tested each year or more often if there are circumstances that indicate a decrease in value. The accounted value as of March 31, 2005 equals therefore the value as of January 1, 2004, which was the time that IFRS was adopted, and amounts to SEK 286 thousand.

## Specification of the Group's equity (SEK thousands)

<b>Jan-Mar 2005<sup>8</sup></b>	<b>Share capital</b>	<b>Restricted reserves</b>	<b>Non-restricted equity</b>	<b>Net unrealized gains reserve</b>	<b>Minority share</b>	<b>Total</b>
Opening balance January 1, 2005	1 485	107 798	88 448	-	1 461	199 192
The effect of the implementation of IAS 39, January 1, 2005	-	-	-2 184	-	-	-2 184
Fair value of Available-for-sale investments	-	-	-	-140	-	-140
Translation difference etc.	-	88	745	-	-	833
Net income for the period	-	-	5 787	-	71	5 858
Closing balance March 31, 2005	1 485	107 886	92 796	-140	1 532	203 559

<b>Jan-Mar 2004<sup>8</sup></b>	<b>Share capital</b>	<b>Restricted reserves</b>	<b>Non-restricted equity</b>	<b>Minority share</b>	<b>Total</b>
Opening balance 1 January, 2004	1 485	101 461	141 332	1 259	245 537
Translation difference etc.	-	104	867	-	971
Net income for the period	-	-	10 146	184	10 330
Closing balance March 31, 2004	1 485	101 565	152 345	1 443	256 838

<sup>8</sup> The effects of the adoption of IFRS are explained on page 8-9.

## Cash flow statement

SEK thousands	IFRS note	Jan-Mar 2005	Jan-Mar 2004	2004
<b>Operating activities</b>				
Operating income	B	7 727	13 695	29 570
Adjustment for items not included in cash flow				
Depreciation and amortization	B	4 228	4 397	17 702
Other adjustments for items not included in cash flow		-189	295	1 134
Financial items		344	1 810	5 299
Income tax paid		-4 792	-9 384	-21 581
<b>Cash flow from operating activities before changes in working capital</b>		<b>7 318</b>	<b>10 813</b>	<b>32 124</b>
<b>Changes in working capital</b>				
Changes in accounts receivable		1 349	9 328	-2 320
Changes in other operating assets		639	1 186	-450
Changes in accounts payable		588	-2 198	1 140
Changes in other operating liabilities		-8 965	-10 194	2 155
<b>Total change in working capital</b>		<b>-6 389</b>	<b>-1 878</b>	<b>525</b>
<b>Cash flow from operating activities</b>		<b>929</b>	<b>8 935</b>	<b>32 649</b>
<b>Investment activities</b>				
Investments in intangible fixed assets		-	-348	-884
Investments in tangible fixed assets		-1 943	-3 944	-8 281
Investments in subsidiaries		-	-	140
Changes in financial fixed assets		-1 090	-571	-20 527
<b>Cash flow from investment activities</b>		<b>-3 033</b>	<b>-4 863</b>	<b>-29 552</b>
<b>Financing activities</b>				
Share repurchase		-	-	-18 680
Dividend		-	-	-49 725
<b>Cash flow from financing activities</b>		<b>-</b>	<b>-</b>	<b>-68 405</b>
Change in liquid funds		-2 104	4 072	-65 308
Opening liquid funds		186 166	251 867	251 867
Translation difference/exchange differences in liquid funds		1 474	494	-393
Closing liquid funds	D	185 536	256 433	186 166

## Key ratios

	Jan-Mar 2005	Jan-Mar 2004	2004
Operating margin, %	11.7	21.2	12.0
Return on equity, %	12	16	11
Return on capital employed, %	20	24	15
Asset turnover ratio	1.3	1.0	1.1
Equity/assets ratio, %	64	73	64
Average number of employees	172	145	157
Earnings per share, SEK	0.40	0.69	1.61
Equity per share, SEK	14.09	17.46	13.79
Share price at the end of the period, SEK	54.25	85.00	57.75
Number of outstanding shares at end of period, reduced by Orc Software's repurchase of own shares, thousands	14 337	14 625	14 337

## 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-Mar 2005

SEK thousands	Europe	North America	Asia/Australia	Other	Total
Operating revenue external clients	49 484	5 774	6 113	-	61 371
Unallocated revenue	-	-	-	4 847	4 847
<b>Total</b>	<b>49 484</b>	<b>5 774</b>	<b>6 113</b>	<b>4 847</b>	<b>66 218</b>
Income per segment before joint Group expenses	31 320	1 933	1 817	4 847	39 917
Unallocated costs	-	-	-	-32 190	-32 190
<b>Operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 727</b>
Net financial income	123	-	-	972	1095
<b>Income after financial items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 822</b>
Tax on net income for the period	-	-	-	-2 964	- 2 964
<b>Net income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 858</b>

### Group Jan-Mar 2004

SEK thousands	Europe	North America	Asia/Australia	Other	Total
Operating revenue external clients	47 806	9 649	6 740	-	64 195
Work performed by the company for its own use and capitalized	-	-	-	348	348
<b>Total</b>	<b>47 806</b>	<b>9 649</b>	<b>6 740</b>	<b>348</b>	<b>64 543</b>
Income per segment before joint Group expenses	32 905	7 088	1 056	348	41 397
Unallocated expenses	-	-	-	-27 702	-27 702
<b>Operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 695</b>
Net financial income	-	-	-	970	970
<b>Income after financial items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 665</b>
Tax on net income for the period	-	-	-	-4 335	-4 335
<b>Net income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 330</b>

## Quarterly figures

### Income statement

SEK thousands	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005
<b>Operating revenue</b>					
Systems revenue	58 574	58 848	53 217	55 064	56 395
Work performed by the company for its own use and capitalized	348	269	127	140	-
Other operating revenue	5 621	4 708	4 164	6 409	9 823
<b>Total revenue</b>	<b>64 543</b>	<b>63 825</b>	<b>57 508</b>	<b>61 613</b>	<b>66 218</b>
<b>Operating expenses</b>					
Other expenses	-18 803	-21 172	-20 818	-23 948	-22 565
Personnel costs	-27 648	-27 336	-28 115	-32 377	-31 698
Depreciation and amortization	-4 397	-4 441	-4 428	-4 436	-4 228
<b>Total expenses</b>	<b>-50 848</b>	<b>-52 949</b>	<b>-53 361</b>	<b>-60 761</b>	<b>-58 491</b>
<b>Operating income</b>	<b>13 695</b>	<b>10 876</b>	<b>4 147</b>	<b>852</b>	<b>7 727</b>
<b>Net financial items</b>	<b>970</b>	<b>1 868</b>	<b>700</b>	<b>-740</b>	<b>1 095</b>
Tax on net income for the period	-4 335	-4 552	-2 102	-96	-2 964
<b>Net income for the period</b>	<b>10 330</b>	<b>8 192</b>	<b>2 745</b>	<b>16</b>	<b>5 858</b>
Net income for the period attributable to the minority interest	184	-618	-1 111	-522	71
Net income for the period attributable to the Parent company's shareholders	10 146	8 810	3 856	538	5 787

### Balance sheet

SEK thousands	31 Mar 2004	30 Jun 2004	30 Sept 2004	31 Dec 2004	31 Mar 2005
<b>Fixed assets</b>					
Intangible assets	22 304	20 137	17 813	15 496	13 155
Tangible assets	19 552	18 686	18 864	17 702	17 890
Financial assets	6 850	17 116	21 076	25 514	28 414
<b>Total fixed assets</b>	<b>48 706</b>	<b>55 939</b>	<b>57 753</b>	<b>58 712</b>	<b>59 459</b>
<b>Current assets</b>					
Accounts receivable	31 353	48 225	35 359	43 090	41 741
Other receivables	15 362	17 372	23 655	24 507	31 267
Cash and bank balances and short-term investments	256 433	191 073	190 405	186 166	185 536
<b>Total current assets</b>	<b>303 148</b>	<b>256 670</b>	<b>249 419</b>	<b>253 763</b>	<b>258 544</b>
<b>TOTAL ASSETS</b>	<b>351 854</b>	<b>312 609</b>	<b>307 172</b>	<b>312 475</b>	<b>318 003</b>
Shareholders' equity	256 838	207 473	207 990	199 192	203 559
Provisions for deferred tax liability	23 636	23 768	23 772	25 333	25 335
Current non interest-bearing liabilities	71 380	81 368	75 410	87 950	89 109
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>351 854</b>	<b>312 609</b>	<b>307 172</b>	<b>312 475</b>	<b>318 003</b>

## Forthcoming financial events

April 20, 2005      Annual General Meeting 2005  
July 14, 2005      Interim Report for January-June 2005  
October 13, 2005   Interim Report for January-September 2005

## Analyst and press meeting, and telephone conference

An analyst and press meeting will be held on April 14, 2005 in Stockholm at 2 p.m. (CET). A telephone conference will also be held at 4 p.m. (CET). For more information about these events visit [www.orcsoftware.com](http://www.orcsoftware.com), Company, Investor Relations, Calendar.

Stockholm, April 14, 2005

The Board of Directors

### **For further information please contact:**

Jonas Lindström, CEO, tel: +46 8 407 38 35  
Lars Johansson, EVP and COO, tel: +46 8 407 38 24  
Susanne Holmlund, Investor Relations, tel: +46 8 407 38 50  
[www.orcsoftware.com](http://www.orcsoftware.com)

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

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

Orc Software AB (publ)  
Info@orcsoftware.com  
www.orcsoftware.com

Org.no. 556313-4583  
Birger Jarlsgatan 32A Box 7742  
SE-103 95 Stockholm Sweden

T +46 8 407 38 00  
F +46 8 407 38 01