



Orc Software AB – Interim Report January 1 - March 31, 2002

- **Revenue for January-March 2002 increased by 44 percent to SEK 65 (45) million.**
- **Operating income for January-March 2002 increased by 71 percent to SEK 29 (17) million, resulting in an operating margin of 44.9 (38.0) percent.**
- **Earnings per share for January-March 2002 amounted to SEK 1.52 (0.93).**
- **Orc Software opened offices in Montreal and Toronto during the period.**
- **Orc Software will increase its presence in Asia by establishing an office in Tokyo in the third quarter 2002.**

Markets

During the first quarter 2002, the financial markets continued to be characterized by a uncertainty regarding the economic outlook, and recent developments in the Middle East contributed considerably to this uncertainty. Clients subsequently announced further rationalization measures, one example is the current consolidation of brokerage houses particularly in the Swedish market. This trend contributed to the number of new client sites being lower in the first quarter. The increased pace in the ongoing transition to electronic trading in the North American market, in combination with the continued high level of activity in certain Asian markets, nevertheless contributed to a positive change in the surrounding world for Orc Software. Furthermore, new product lines opened up totally new markets and market segments for the Company.

The overall picture is that Orc Software is only to a slight extent affected by the continued decline in global markets, the reasons for which include the following:

- Orc Software is strongest within market making and trading on the world's stock markets in general and the derivatives markets in particular. These business areas are affected to a lesser degree by cost-cutting measures, and Orc Software has developed new products in order to strengthen the Company's position within this client segment.

Orc Software develops and markets standardized and turnkey software systems for pricing, trading and risk management in real time in international financial, commodities and energy markets. The company is a leading international software vendor with clients in 18 countries. The Orc Software share is listed on Stockholmsbörsen's O-list.

- Orc Software is still a small company in relation to the size of the markets, and the Company's market share in many countries is small.
- Orc Software's global coverage enables sales activities to be rapidly focused on areas where demand increases or changes.
- Orc Software has invested considerably in development resources and development environments during recent years, thus increasing its ability to quickly develop software in line with changes in demand and structural changes currently in progress in many countries.

Significant Events During the Period

International Expansion

Orc Software's international expansion continues. The previously announced sales and support offices located in Montreal and Toronto were opened during the period, leading to Orc Software now having 13 offices located around the world. Orc Software has also decided to open a sales and support office in Tokyo in the third quarter 2002.

Product Development

During the first quarter 2002, a large part of Orc Software's development activities were focused on the North American market, where the transition from floor trading to electronic trading is now in full swing, both in the United States and Canada.

The demand and pricing structure in the US market is significantly different to, for example, the European and the Canadian markets. The American clients demand more and more in terms of automation, at the same time as they also would like to have greater flexibility in systems technology. The demand for a greater degree of automation in trading also harmonizes well with an ambition to cut costs.

Orc Software invests considerable development resources to meet the North American demand. This influences Orc Software's business model and product range especially in the US, and in the long-term will also influence the product range in other markets. New products were consequently introduced during the quarter within market making, trading, development environments for in-house development, as well as software for brokerage houses' operations. Presently, adaptations of the new products are taking place with clients in other markets.

New Market Connections

As of March 31, 2002, the Orc System was connected to 37 exchanges. Connections were established with the following exchanges during the period:

- MEFF, Spain
- Nasdaq Liffe Markets, US
- Sydney Futures Exchange, Australia

Via its cooperation partners NeoNet and Lexit Capital, Orc ExNet has connections to 14 marketplaces. The following ExNet connections were established during the period, all of which are in the United States via Lexit:

- American Stock Exchange
- Archipelago
- Instinet
- Island
- NASDAQ
- New York Stock Exchange
- REDI Book

Orc ExNet

In January 2002, an agreement was signed between Lexit Capital and Orc Software in order to provide Orc Software's clients with the opportunity to trade on US marketplaces without requiring exchange memberships. The system integration was finalized during the period and the service is currently being launched.

An agreement was also signed with Samsung Securities for trading on the Korea Stock Exchange. This agreement will provide Orc Software's clients with direct electronic trading access to derivatives traded on the Korea Stock Exchange, via Samsung Securities' brokerage service. Trading via Samsung Securities is expected to be available in the second quarter of 2002.

Orc ExNet is now able to offer trading possibilities on marketplaces in the United States, Europe and Asia without the need for membership status, thereby covering 75 percent of the world's total trading in equities, calculated as turnover value. The interest in Orc ExNet's services is considerable, particularly in the new possibility of trading on the American equities markets, and several Nordic clients have started to trade with the Orc System via Orc ExNet's cooperation partners.

Revenue¹

The Group's revenue increased during the period January-March 2002 by 44 percent to SEK 65 (45) million, of which systems revenue represented 97 (93) percent. The remaining part pertained essentially to consultancy revenue. The increase in revenue in relation to the previous quarter was 10 percent.

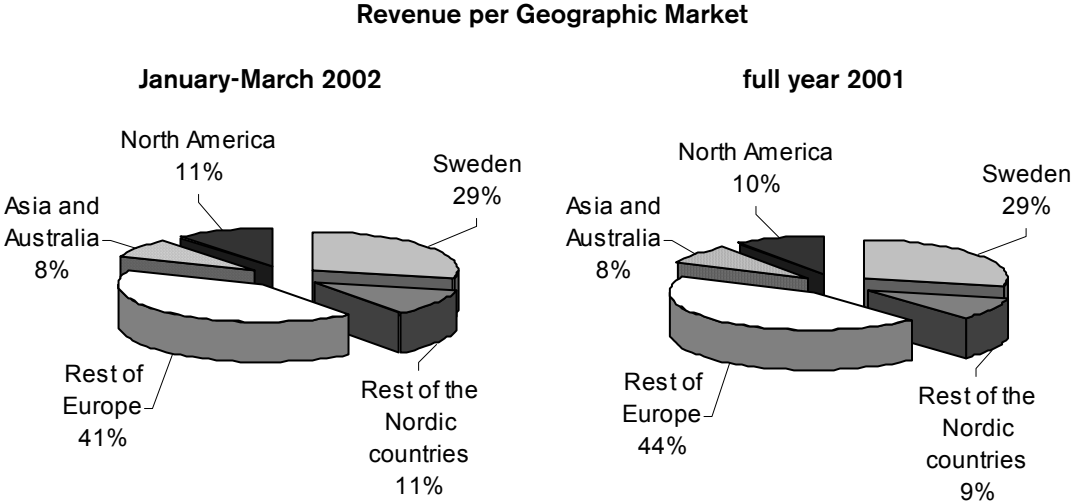
Revenue in the first quarter was strong in the Nordic region. Revenue in Italy and the United Kingdom was also good, and demand from the large investment banks in London continued to increase. In Canada, several new orders were noted from clients who took the Orc System into production in the fourth quarter of 2001. New clients were found in Italy, Australia and Hong Kong. A small number of terminations were registered during the period, primarily due to clients having merged or having ceased trading activities. These terminations will have an effect on revenue as of the second and third quarters 2002.

Other operating revenue fell by 47 percent from SEK 3.0 million to SEK 1.6 million compared with the same period last year, and by 66 percent in comparison to the previous quarter. This was partly due to no hardware sales during the period, and partly to a decrease in installation and development revenue.

¹ Revenue and operating margin for 2002 are reported after taking into account an increase in revenue of SEK 3.4 million subsequent to the capitalization of development expenses, in accordance with the Swedish Financial Accounting Standards Council's recommendation no. 15 (RR15).

Internet-related revenue amounted during the period to SEK 3.5 (2.2) million.

During the period January-March 2002, revenue from clients located outside Sweden represented 71 (68) percent of total revenue. At the end of March 2002, the Company had clients in a total of 18 (17) countries.

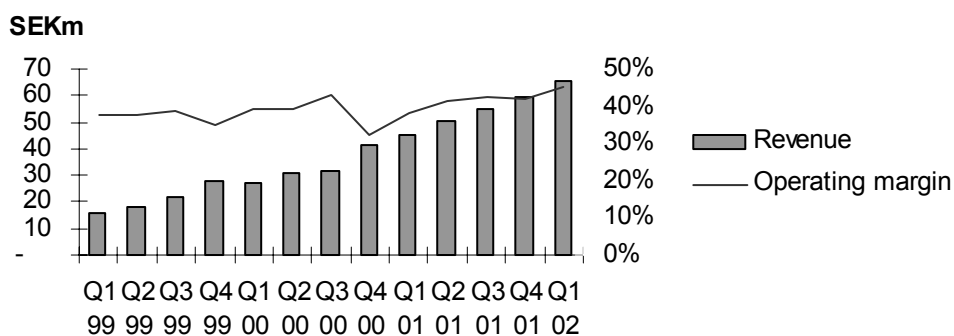


Strong revenue in the Nordic region during the quarter resulted in the portion of total revenue from Sweden and the rest of the Nordic region increasing in comparison to the previous quarter. Systems revenue in North America increased considerably during the period, although other operating revenue fell in both the United States and Canada, resulting in a decrease in North America's portion of total revenue compared to the previous quarter.

The number of client sites amounted at the end of March 2002 to 148 (127), of which 13 (13) use iOrc technology. Average revenue per client site² amounted during the period to SEK 1.6 (1.4) million.

² Calculated as total systems revenue divided by the average number of client sites during the period, expressed as an annualized figure.

Quarterly Revenue and Operating Margin



Earnings³

Operating income increased during January-March 2002 by 71 percent to SEK 29 (17) million, representing an operating margin of 44.9 (38.0) percent. One reason for the higher profitability is the reduction in other operating revenue, which in general has a lower margin than systems revenue.

The effect of foreign exchange fluctuations, calculated as a change in the respective average exchange rates between the first quarter 2001 and the first quarter 2002, amounted to SEK +2.0 million, primarily as a result of the strong US dollar in relation to the same period last year. Foreign exchange hedging resulted in an effect on operating level of SEK -1.1 million.

As of March 31, 2002, future flows equivalent to SEK 145 (70) million had been hedged, comprised entirely of USD 14 (7) million having been hedged against Swedish kronor with an average remaining duration of approximately 5 (7) months, and at an average rate of 10.58 (9.96).

Operating Expenses⁴

Operating expenses increased during the period January-March 2002 by 28 percent to SEK 36 (28) million, implying an increase of 4 percent compared with the previous quarter.

The largest increase in absolute terms occurred in personnel costs, which increased by 40 percent to SEK 21,5 (15,4) million, and by 8 percent in comparison to the previous quarter. The average salary per employee increased primarily as a result of an increase in the number of employees in management positions. The average number of employees increased by 27 percent compared with the same period last year, and by 5 percent in comparison with last quarter.

Cost of premises increased by 57 percent to SEK 3.3 (2.1) million compared with last year as a consequence of new offices in St Petersburg, Hong Kong, Zurich, Toronto and Montreal, as well as an increase in costs for the existing office in Stockholm. The increase

³ Revenue and operating margin for 2002 are reported after taking into account an increase in revenue of SEK 3.4 million subsequent to the capitalization of development expenses, in accordance with the Swedish Financial Accounting Standards Council's recommendation no. 15 (RR15).

⁴ As a consequence of Orc Software's working methods, where there exists considerable overlapping between sales and development work, Orc Software reports its results in accordance with the principle for an income statement presented by type of cost.

when compared with the previous quarter amounted to 10 percent. As a result of the Company's rapid expansion, Orc Software in Stockholm has become too large for its current offices, and has therefore signed a new lease for more spacious and better-adapted premises. The move is planned to take place at the end of the third quarter, and will imply a slight increase in cost of premises in the fourth quarter 2002.

Telecommunication expenses decreased slightly both when compared with the same period last year and with the previous quarter. The decrease is essentially due to one-off costs related to the development of market connections varying from one quarter to another. Other telecommunication expenses increased as a result of the increase in the number of offices, more employees, and the acceleration in the development of new market connections.

In spite of the acceleration in the development of market connections, consulting fees continued to fall compared with previous quarters as a result of the increase in in-house development resources, particularly in Russia, thus reducing the need for external development resources.

Other external expenses increased by 59 percent to SEK 5.9 (3.7) million, and by 25 percent compared with last quarter, primarily as a result of growth in operations. To a large extent this item consists of costs for travel, amounting to SEK 1.5 (1.7) million. The remaining part pertains essentially to consumable equipment, software, and expenses related to the Company's external information.

Depreciation and amortization increased by 71 percent to SEK 2.4 (1.4) million and by 14 percent compared with the fourth quarter 2001. The increase is a consequence of the additional number of offices and employees, the upgrading of the server environment in Stockholm, as well as the amortization of intangible fixed assets.

The purchase cost of goods sold was significantly lower compared with both the same quarter last year and last quarter as a result of no hardware sales having been made during the period.

Equity/Assets Ratio and Return on Capital Employed

The equity/assets ratio amounted at the end of March 2002 to 66 (62) percent. Return on capital employed increased to 62 (51) percent, and return on equity increased to 45 (38) percent.

Cash Flow and Investments

The Group's cash flow before changes in working capital and investments amounted in January-March 2002 to SEK 25 (15) million. Operating capital amounted to SEK -38 (-10) million.

The Group's investments amounted during the period to SEK 5.7 (1.6) million, and consisted of computer and office equipment to the amount of SEK 2.3 million, as well as the capitalization of development expenses to the amount of SEK 3.4 million.

The change in working capital amounted to SEK 9 (-22) million.

The Group's cash flow after investments increased to SEK 28 (-9) million.

The strong cash flow and the relatively small amount of investments implied that the ratio between cash flow before financial items and tax, and the operating income before depreciation and amortization, amounted to 1.1 (-0.3) for the period. The increase is partially due to improved cash management procedures.

Taxation

The tax rate during the period amounted to 27 (25) percent. The slightly higher tax rate in 2002 is primarily due to the increased portion of taxable profits in countries with a higher tax rate.

Employees

At the end of March 2002, Orc Software had 111 (87) employees, representing an increase of 28 percent. The average number of employees was 109 (86). During the period January-March 2002, new employees were recruited primarily within product development in Stockholm and St Petersburg. Several new salespeople have also been recruited. They will start during the second and third quarters 2002 and operate in the Nordic countries, Germany, United Kingdom and Asia. The number of women amounted at the end of March to 20 (18), and the number of men 91 (69).

Financial Targets

The targets of the Board of Directors of annual growth of more than 50 percent and an operating margin of at least 30 percent during the period 2002-2004 still holds. In addition, the Board of Directors still believes that the operating margin for 2002 will exceed this target.

Dividend Policy

The Board of Directors has resolved to recommend to the Annual General Meeting of Shareholders, which is held April 16, the payment of a dividend of SEK 2.20 (1.40) per share for 2001, representing a total of SEK 33 (21) million and 50 (51) percent of net income. The proposed record day for dividends is Friday, April 19, 2002. Should the Annual General Meeting vote in favour of the proposal, the dividends are expected to be paid via VPC AB on Wednesday, April 24, 2002.

The Parent Company

The Parent Company's revenue increased by 33 percent to SEK 48 (36) million. Income after financial items increased to SEK 26 (16) million. Liquid funds amounted at the end of the period to SEK 240 (144) million, of which SEK 187 (120)⁵ million consisted of short-term investments.

⁵ The amount SEK 120 million for 2001 refers to a short-term deposit with OM, which is classified as cash and bank balances in the balance sheet.

Accounting Principles

Orc Software's accounting principles follow the recommendations of the Swedish Financial Accounting Standards Council. This implies that the same accounting principles and evaluation methods have been used as those used in the latest annual report.

Income Statement

SEK thousands	Jan-Mar 2002	Jan-Mar 2001	Jan-Dec 2001
Operating revenue			
Systems revenue	60 167	42 161	196 037
Work performed by the company for its own use and capitalized	3 422	-	1 700
Other operating revenue	1 638	2 993	11 980
Total revenue	65 227	45 154	209 717
Operating expenses			
Purchase cost of goods sold	-245	-1 839	-5 729
External expenses			
Cost of premises	-3 303	-2 094	-9 366
Telecommunication expenses	-1 694	-1 892	-6 620
Consulting fees	-962	-1 714	-7 162
Other external expenses	-5 853	-3 672	-17 746
Personnel costs	-21 521	-15 373	-69 936
Depreciation and amortization	-2 361	-1 400	-6 900
Total expenses	-35 939	-27 984	-123 459
Operating income	29 288	17 170	86 258
Financial items			
Profit/loss from participation in associated companies	-153	-	-133
Financial income	1 948	1 298	7 273
Financial expenses	-29	-15	-58
Financial items	1 766	1 283	7 082
Income after financial items	31 054	18 453	93 340
Tax on net income for the period	-8 576	-4 673	-28 400
Minority's part of the income for the period	99	-	123
Net income for the period	22 577	13 780	65 063
Earnings per share, SEK	1.52	0.93	4.38
Number of shares, end of period, thousands	14 850	14 850	14 850
Average number of shares, thousands	14 850	14 850	14 850

Balance Sheet

SEK thousands	Mar 31, 2002	Mar 31, 2001	Dec 31, 2001
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenditure	5 006	-	1 700
Goodwill	453	-	478
Other intangible fixed assets ⁶	3 462	-	3 648
Tangible assets			
Equipment	16 798	14 491	16 478
Financial assets			
Shares in associated companies	749	2 710	902
Total fixed assets	26 468	17 201	23 206
Current assets			
Current receivables			
Accounts receivable	34 973	51 181	38 938
Other receivables	4 388	4 685	3 776
Prepaid expenses and accrued income	6 239	2 062	2 864
Short-term investments	187 336	-	172 984
Cash and bank balances	64 422	150 224	51 305
Total current assets	297 358	208 152	269 867
TOTAL ASSETS	323 826	225 353	293 073
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 485	1 485	1 485
Restricted reserves	119 402	105 237	119 615
Non-restricted equity			
Non-restricted reserves	70 210	19 782	5 644
Net income for the period	22 577	13 780	65 063
Total equity	213 674	140 284	191 807
Minority interest	526	-	625
Provisions			
Deferred tax liability	12 415	6 922	12 415
Total provisions	12 415	6 922	12 415
Current liabilities			
Accounts payable	1 811	2 552	3 051
Tax liabilities	11 034	5 326	14 232
Approved, unpaid dividend	-	20 790	-
Other liabilities	7 883	5 571	7 109
Accrued expenses and prepaid income	76 483	43 908	63 834
Total current liabilities	97 211	78 147	88 226
TOTAL EQUITY AND LIABILITIES	323 826	225 353	293 073
Pledged assets	None	None	None
Contingent liabilities	None	None	None

⁶ This item pertains to Orc ExNet.

Specification of the Group's goodwill

The goodwill arose in conjunction with the forming of Orc ExNet and is being amortized over a period of 60 months. The amortization charge is reported as a financial expense under the heading financial items.

SEK thousands	
Acquisition value less accumulated amortization at the beginning of the period	478
Goodwill arisen during the period	-
Amortization for the period	-25
Acquisition value less accumulated amortization at the end of the period	453

Specification of Equity

Jan-Mar 2002	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Opening balance January 1, 2002	1 485	119 615	70 707	191 807
Translation difference	-	-	-710	-710
Transfer to statutory reserve in accordance with distribution of earnings	-	20	-20	-
Other adjustments	-	-233	233	-
Net income for the period	-	-	22 577	22 577
Closing balance March 31, 2002	1 485	119 402	92 787	213 674

Jan-Mar 2001	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Opening balance January 1, 2001	1 485	105 237	40 587	147 309
Approved, unpaid dividend	-	-	-20 790	-20 790
Translation difference	-	-	-15	-15
Net income for the period	-	-	13 780	13 780
Closing balance March 31, 2001	1 485	105 237	33 562	140 284

Cash Flow Statement

SEK thousands	Jan-Mar 2002	Jan-Mar 2001	2001
Operating activities			
Operating income	29 288	17 170	86 258
Adjustment for items not included in cash flow	-317	210	1 358
Depreciation and amortization	2 361	1 400	6 900
Financial items	1 945	989	6 784
Income tax paid	-8 576	-4 673	-22 884
Cash flow from operating activities before changes in working capital	24 701	15 096	78 416
Changes in working capital			
Changes in operating assets	-22	-27 962	-15 786
Changes in operating liabilities	8 985	5 537	36 477
Total change in working capital	8 963	-22 425	20 691
Cash flow from operating activities	33 664	-7 329	99 107
Investment activities			
Investments in intangible fixed assets	-3 356	-	-1 664
Investments in tangible fixed assets	-2 342	-1 563	-9 363
Investments in financial fixed assets	-	-	-3 594
Sale of tangible fixed assets	-	-	520
Cash flow from investment activities	-5 698	-1 563	-14 101
Financing activities			
Dividends	-	-	-20 790
Cash flow from financing activities	-	-	-20 790
Change in liquid funds	27 966	-8 892	64 216
Opening liquid funds	224 289	159 116	159 116
Exchange differences in liquid funds	-497	-	957
Closing liquid funds	251 758	150 224	224 289

Key Ratios

	Jan-Mar 2002	Jan-Mar 2001	2001
Operating margin, %	44.9	38.0	41.1
Return on equity, %	45	38	38
Return on capital employed, %	62	51	55
Asset turnover ratio	1.3	1.3	1.2
Equity/assets ratio, %	66	62	65
Average number of employees	109	86	94
Earnings per share, SEK	1.52	0.93	4.38
Equity per share, SEK	14.39	9.45	12.92
Number of shares at end of period, thousands	14 850	14 850	14 850

Quarterly Figures

Income Statement

SEK thousands	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002
Operating revenue					
Systems revenue	42 161	49 156	51 100	53 620	60 167
Work performed by the company for own use and capitalized	-	404	639	658	3 422
Other operating revenue	2 993	577	3 556	4 854	1 638
Total revenue	45 154	50 137	55 295	59 132	65 227
Operating expenses					
External expenses	-11 211	-10 863	-12 225	-12 323	-12 057
Personnel costs	-15 373	-16 895	-17 674	-19 995	-21 521
Depreciation and amortization	-1 400	-1 572	-1 799	-2 129	-2 361
Total expenses	-27 984	-29 330	-31 698	-34 447	-35 939
Operating income	17 170	20 807	23 596	24 685	29 288
Net financial items	1 283	1 457	1 931	2 410	1 766
Tax on income for the period	-4 673	-6 497	-6 659	-10 571	-8 576
Minority's part of the income for the period	-	-	-	123	99
Net income for the period	13 780	15 767	18 869	16 647	22 577

Balance Sheet

SEK thousands	Mar 2001	June 2001	Sept 2001	Dec 2001	Mar 2002
Fixed assets	17 201	18 071	21 612	23 206	26 468
Current assets					
Accounts receivable	51 181	28 268	27 107	38 938	34 973
Other receivables	6 747	7 150	6 879	6 640	10 627
Cash and bank balances and short-term investments	150 224	182 183	206 941	224 289	251 758
Total current assets	208 152	217 601	240 927	269 867	297 358
TOTAL ASSETS	225 353	235 672	262 539	293 073	323 826
Equity	140 284	156 231	175 355	191 807	213 674
Minority interest	-	-	-	625	526
Provisions for deferred tax liability	6 922	6 922	6 922	12 415	12 415
Current liabilities	78 147	72 519	80 262	88 226	97 211
TOTAL EQUITY AND LIABILITIES	225 353	235 672	262 539	293 073	323 826

Upcoming Financial Events 2002

April 16	Annual General Meeting
July 11	Interim Report for the second quarter
October 10	Interim Report for the third quarter

Annual General Meeting

The Annual General Meeting will be held on April 16, 2002 at 3 p.m. in the conference hall at Armémuseum, Riddargatan 13, Stockholm, Sweden.

Stockholm, April 11, 2002

The Board of Directors

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

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Definitions

Operating margin

Operating income as a percentage of revenue.

Return on capital employed

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

Return on equity

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

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Capital employed

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

Shareholders' equity

Shareholders' equity at the end of the period.

Operating capital

Total assets minus non-interest bearing debt, including deferred tax liability in untaxed reserves, as well as cash and bank balances and short-term investments.

Working Capital

Operating assets less operating liabilities.

Asset turnover ratio

Revenue divided by average capital employed.

Investments in fixed assets

Investments in fixed assets, after any disposals.

Average number of employees

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

Earnings per share

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

Equity per share

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